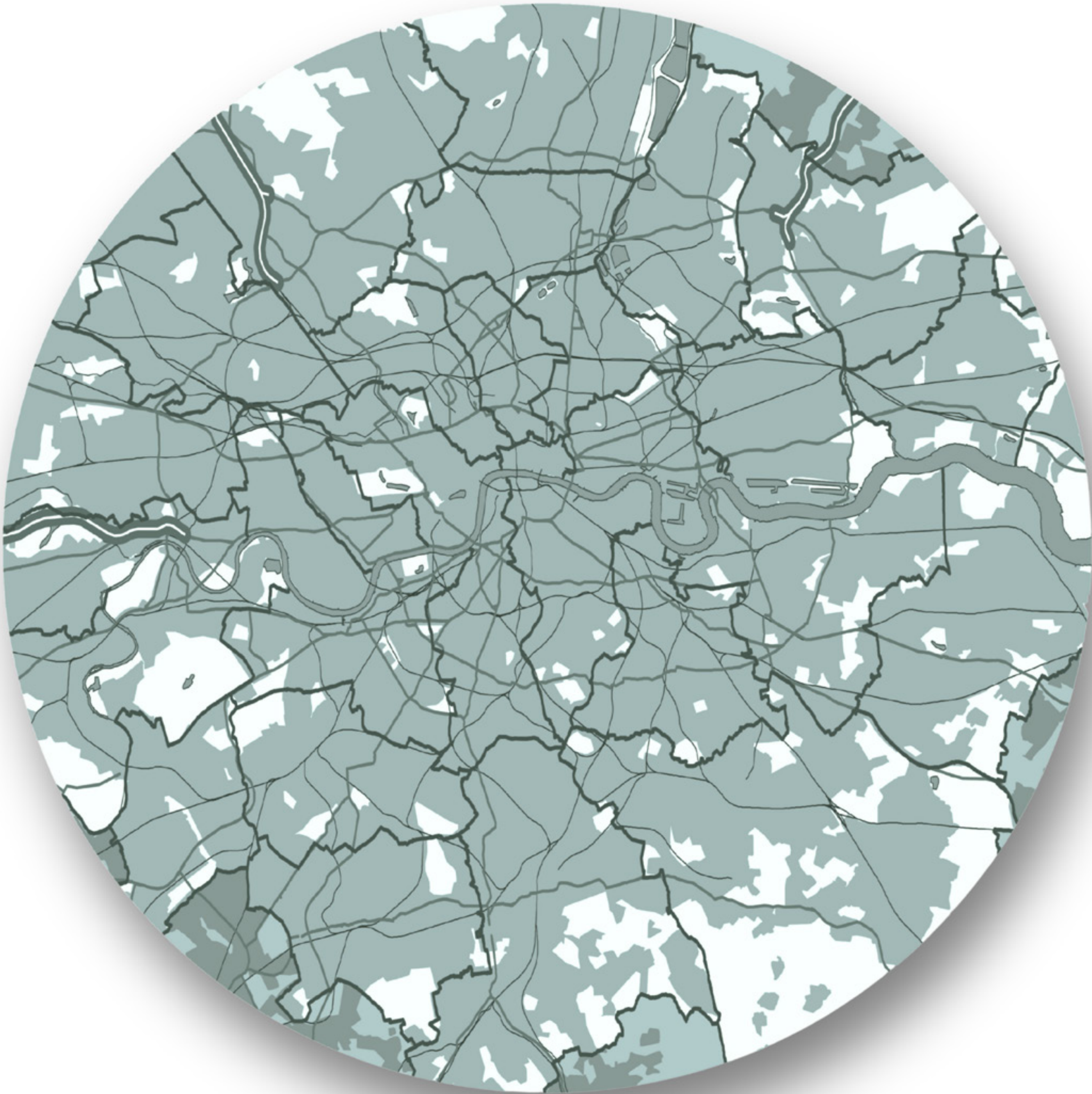


London's Financial Heartbeat: Office Demand in 2025

DEVONO

Resilient and Reliable: Financial Sector Holds Firm

In spite of the wider uncertainty created by a fragile global trade environment and an evolving tax regime, the financial sector has remained notably resilient compared to the rest of central London's business community. Not only has it continued to underpin the wider economy, with the Bank of England Financial Stability Report showing that financial and insurance activities together accounted for 9% of GDP as of July, but it has also remained the bedrock of leasing activity across the capital.

While the sector continues to perform in the face of headwinds, a series of emerging trends in technology and regulation are beginning to reshape how the industry operates.

In this report, we explore why the sector continues to drive strong leasing activity, examine the new challenges on the horizon, and highlight the opportunities that lie ahead for financial firms ready to adapt.

2025 London Financial Sector Leasing Snapshot

2.3M SQ FT
Leased from Q1-Q3 - Up 4%
on the Short-Term Ann Avg (Full Year)

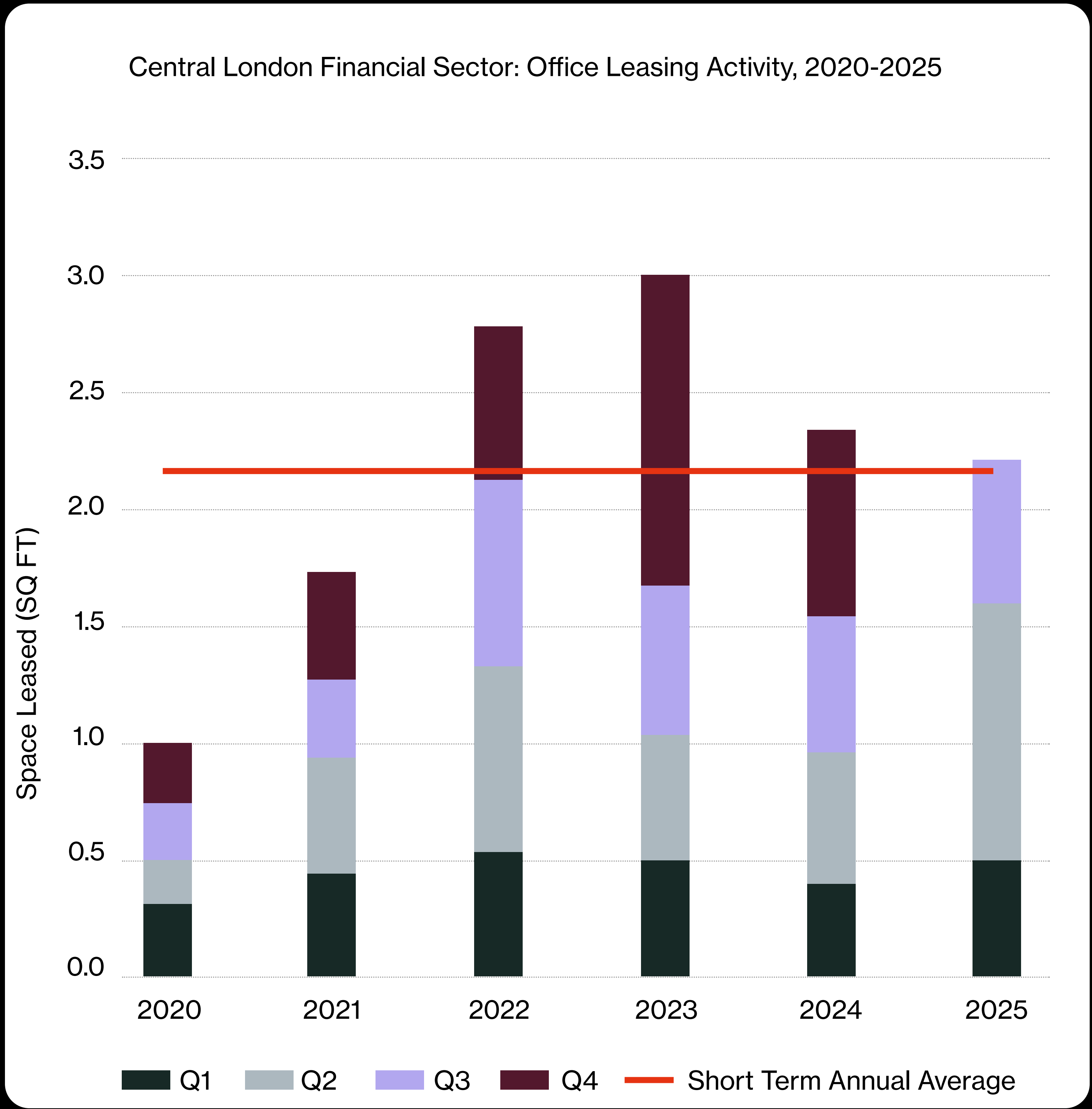
56%
Of deals transacted for
space in the West End

14K SQ FT
Avg deal size

7.3 YRS
Avg lease length

Largest Office Leasing Transaction by Financial Subsector

Subsector	Tenant	Size (sq ft)	Addresss
Asset/Investment Manager	Squarepoint	406,518	65 Gresham Street
Banking	HSBC	198,675	40 Bank Street
Brokering	Depository Trust & Clearing Corporation	30,570	1 Finsbury Avenue
Financial/Investment Advisory	MSCI	52,063	12 Primrose Street
Pensions	AustralianSuper (UK)	15,537	2 Pancras Square
Private Equity/Venture Capital	CD&R	62,500	30 Duke Street
Trading	Itochu Europe	27,276	Peterborough Court, 140 Fleet Street



Pushing The Envelope

The financial sector accounted for 31% of all space leased from Q1-Q3 - a commanding share, exceeding the combined total of the Tech and Professional sectors. This strength was buoyed by a surge in Q2 activity, when the sector leased 1.1 million sq ft, the highest quarterly total since Q4 2023, and the second-largest post-pandemic figure. As in Q4 2023, the quarter was defined by a standout mega deal: Squarepoint's 406,518 sq ft lease at 65 Gresham Street.

Despite a dip in take-up during Q3, total leasing by the financial sector for the year to date (Q1–Q3) already surpasses the short-term annual average and sits just 4% below the full-year total recorded in 2024. With momentum still strong, it appears likely that the sector will exceed last year's overall volume. Whether it can surpass the post-pandemic peak set in 2023 remains to be seen - doing so would require a further 740,000 sq ft to be leased in Q4. While this target is within reach, given the sector's 2025 quarterly average of 755,000 sq ft, increasingly cautious sentiment heading into the final quarter could prove a limiting factor.

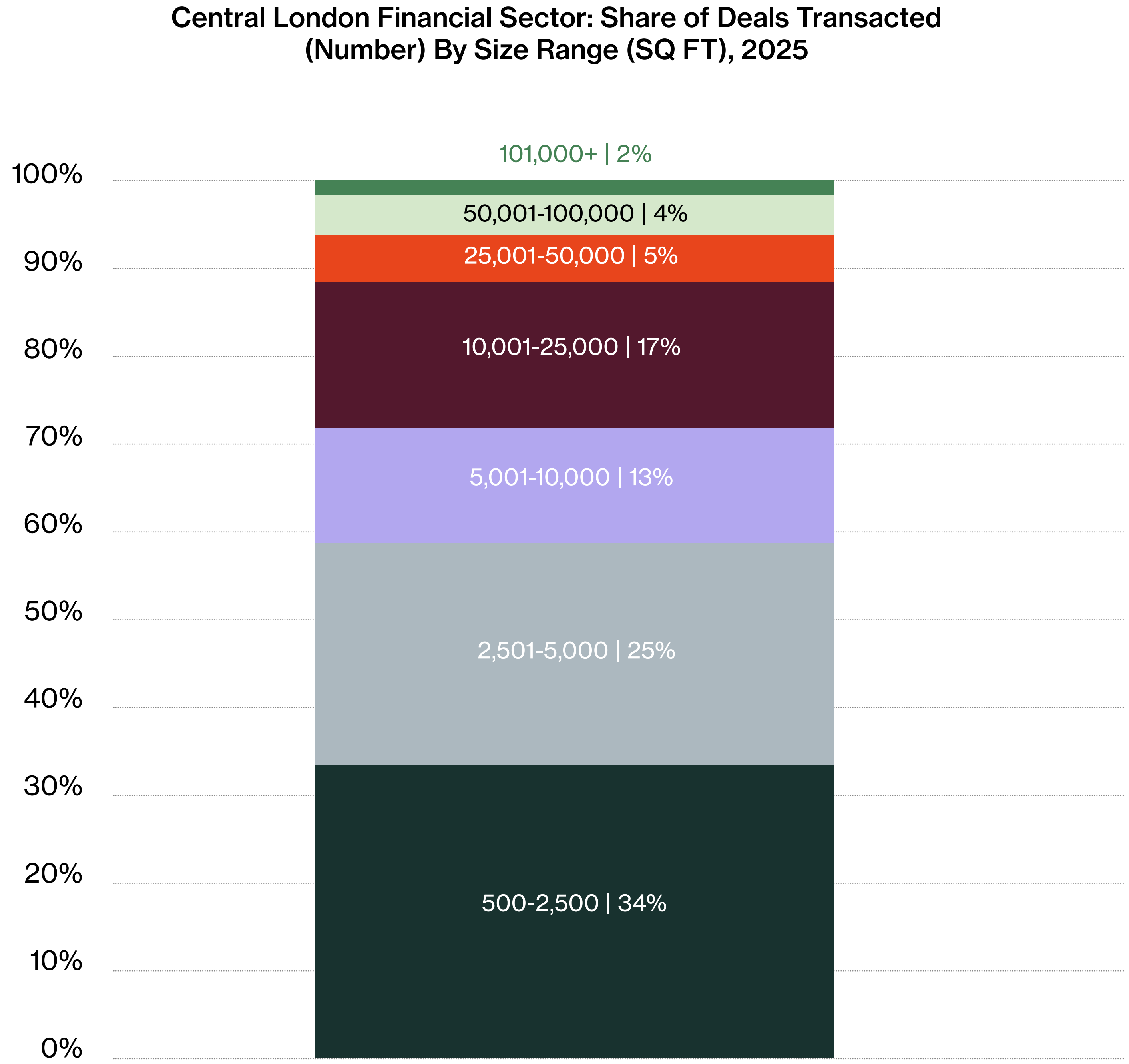
Mega Deal Moves The Market... Or Has It

So why has leasing activity surged to such heights? While the Squarepoint mega deal undoubtedly gave totals a major lift, it also masks a broader shift in demand dynamics.

Although the overall number of deals signed has edged down with 159 transactions recorded, around 4% below the short-term Q1–Q3 average, deal sizes have been trending sharply upward. Larger commitments are becoming the norm: transactions over 25,000 sq ft have made up 11% of deals so far in 2025, nearly double the 7% share seen across 2024. Mid-sized deals have also grown in prominence, signalling a wider trend of financial firms securing more substantial space rather than simply consolidating.

> *...larger commitments are becoming the norm...*

This movement reflects a cultural shift within the sector. Financial firms are doubling down on the office as a core part of their operational model and putting their money where their mouth is. KPMG reported at the end of 2024 that 76% of UK financial institutions planned to increase office attendance in 2025, a sentiment now translating into tangible real estate commitments and larger footprints.



Bucking The Trend On Location

While many sectors have sought office spaces eastward towards the City, the financial sector has, in some respects, bucked the trend. The City undoubtedly captures a greater share of total leasing volume, reflecting broader market dynamics, yet when measured by the number of financial firms committing to new space, the West End stands out, accounting for an impressive 56% of all financial sector deals.

At first glance, the data may appear contradictory, particularly given the charted demand levels for West End space. But the reality is largely shaped by availability, not affordability. Every mega deal signed in 2025 so far has landed in the eastern markets of the City and Docklands, primarily because they offer the kind of large, contiguous floorplates these occupiers need.

However, strip out those mega deals and a different picture emerges. Among transactions between 25,000 and 100,000 sq ft, the West End leads decisively, securing 47% of deals compared to 33% in the City. This reinforces a familiar truth: when choice allows, financial firms continue to gravitate toward the prestige and cachet of a West End address.

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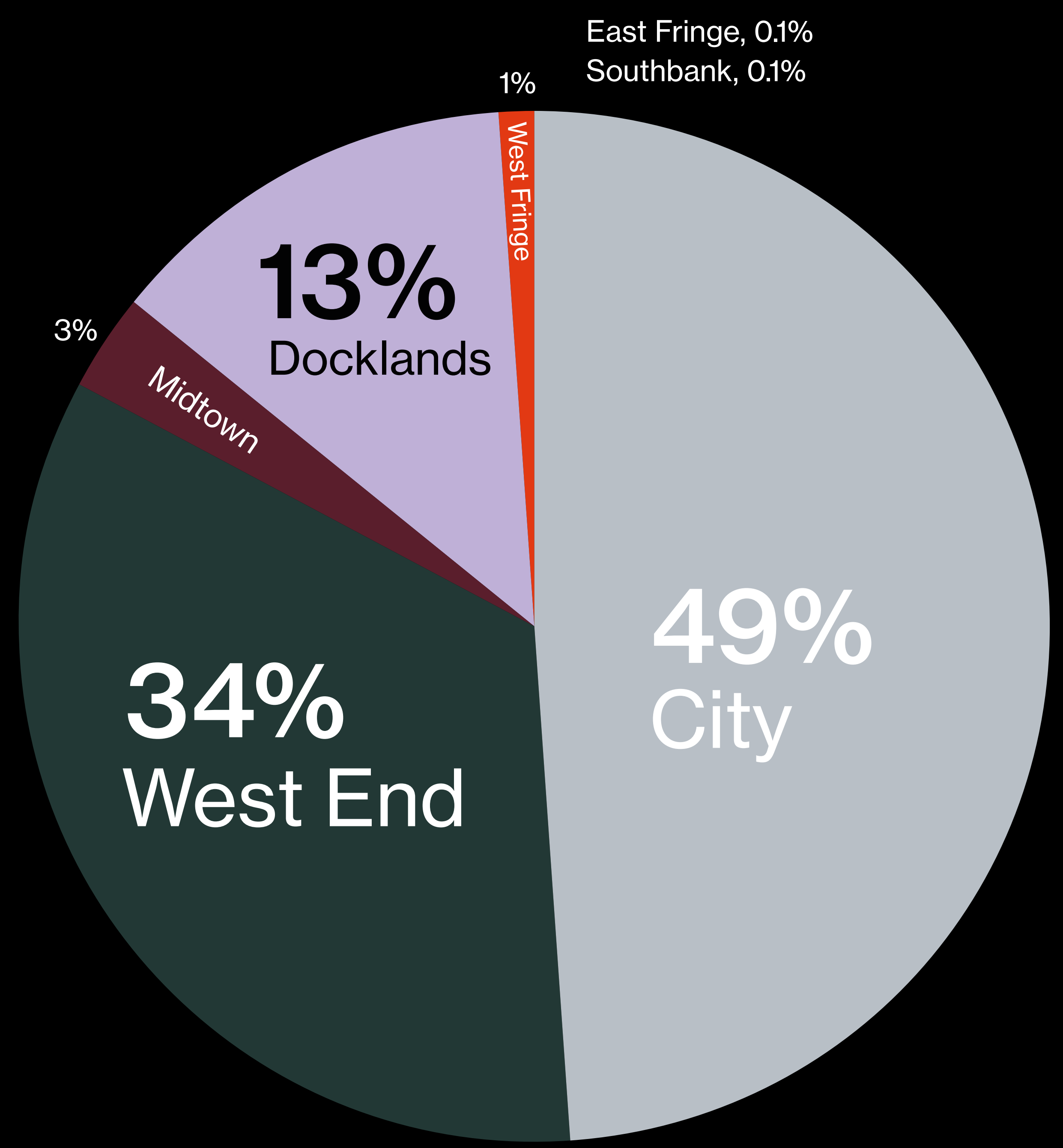
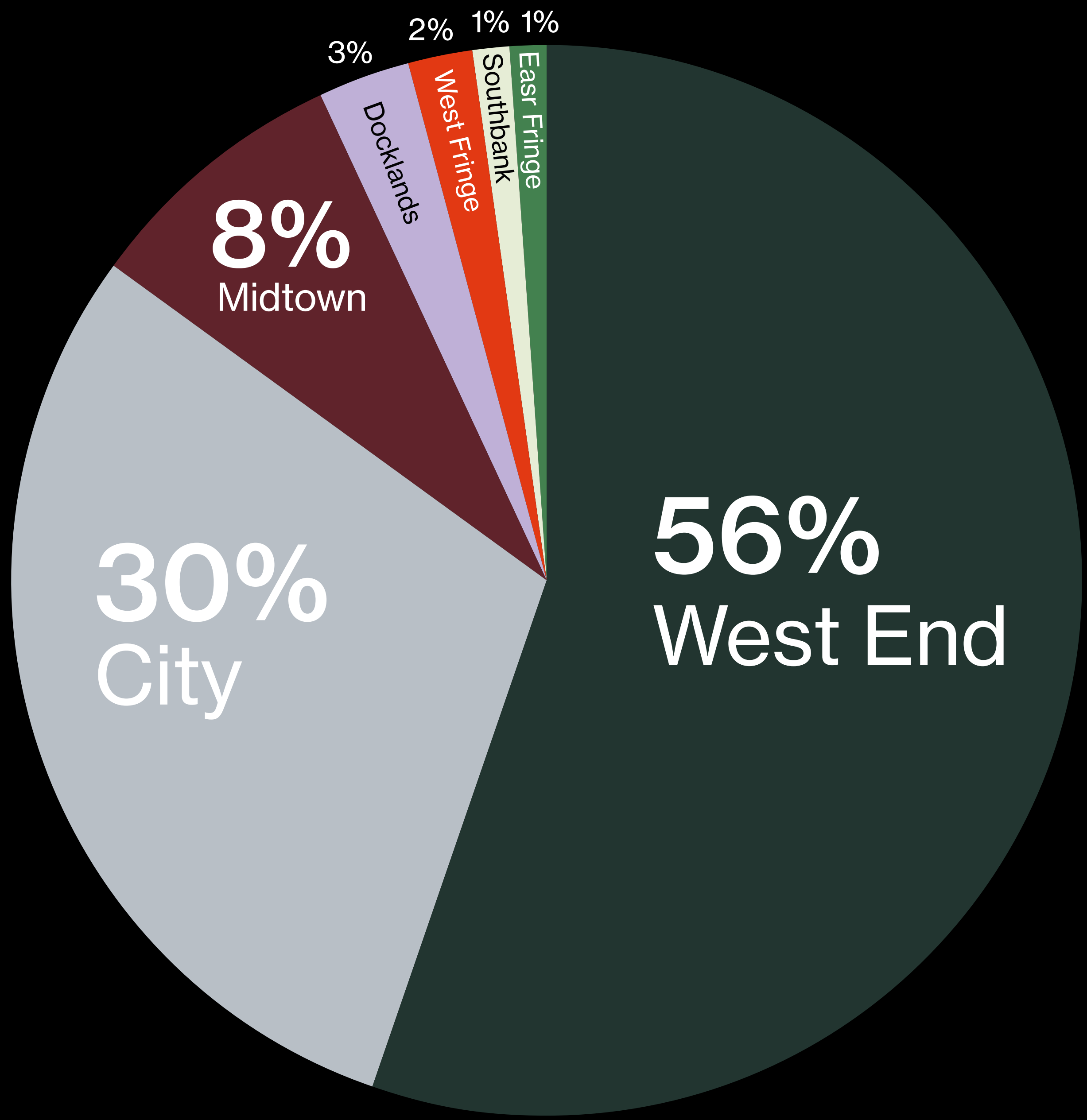




2026 will be a *defining juncture* for the financial sector.

2026 will be a defining juncture for the financial sector. Deregulatory reforms and rapid AI adoption are set to unlock new efficiencies and competitiveness, while broader market confidence continues to underpin strong leasing momentum. Yet headwinds remain, from potential tax changes and tightening ESG regulation to growing cybersecurity exposure. The coming year will test how effectively financial firms can balance innovation with resilience, shaping not only their workplaces but the future rhythm of London's financial ecosystem.

Where The Financial Sector Can Gain Ground

Deregulation

- The Leeds Reforms took effect in July 2025, aiming to remove unnecessary ring-fencing and speed up authorisations.
- The Payment Systems Regulator (PSR) is set to be abolished, making reporting more efficient and saving businesses substantial time.
- Previous EU regulation is being replaced with more streamlined measures such as the Overseas Fund Regime (OFR) to make it easier to attract overseas investment to the UK retail market.

AI

- AI will take greater responsibility for both the administrative and compliance aspects of financial services, allowing employees to devote more time to their core tasks while continuing to ensure the accuracy of their reporting.
- Financial services firms are implementing chatbots to communicate with customers, offering greater accessibility for consumers.
- In the fight to maintain cybersecurity, AI is being deployed to identify and mitigate risks to consumer and corporate information/funds.
- In some cases, financial firms are collaborating directly with AI providers, with one of the most high-profile cases having been between NatWest and OpenAI.

Emerging Services

- Neobanks and fintechs are catering to clients where traditional banking routes are not flexible or expeditious enough to serve their requirements.
- Many traditional and neo-banking firms are implementing new tech-enabled features such as spend notifications, multicurrency banking and digital financial coaching tools into their offerings.

Headwinds To Watch

Policy Uncertainty

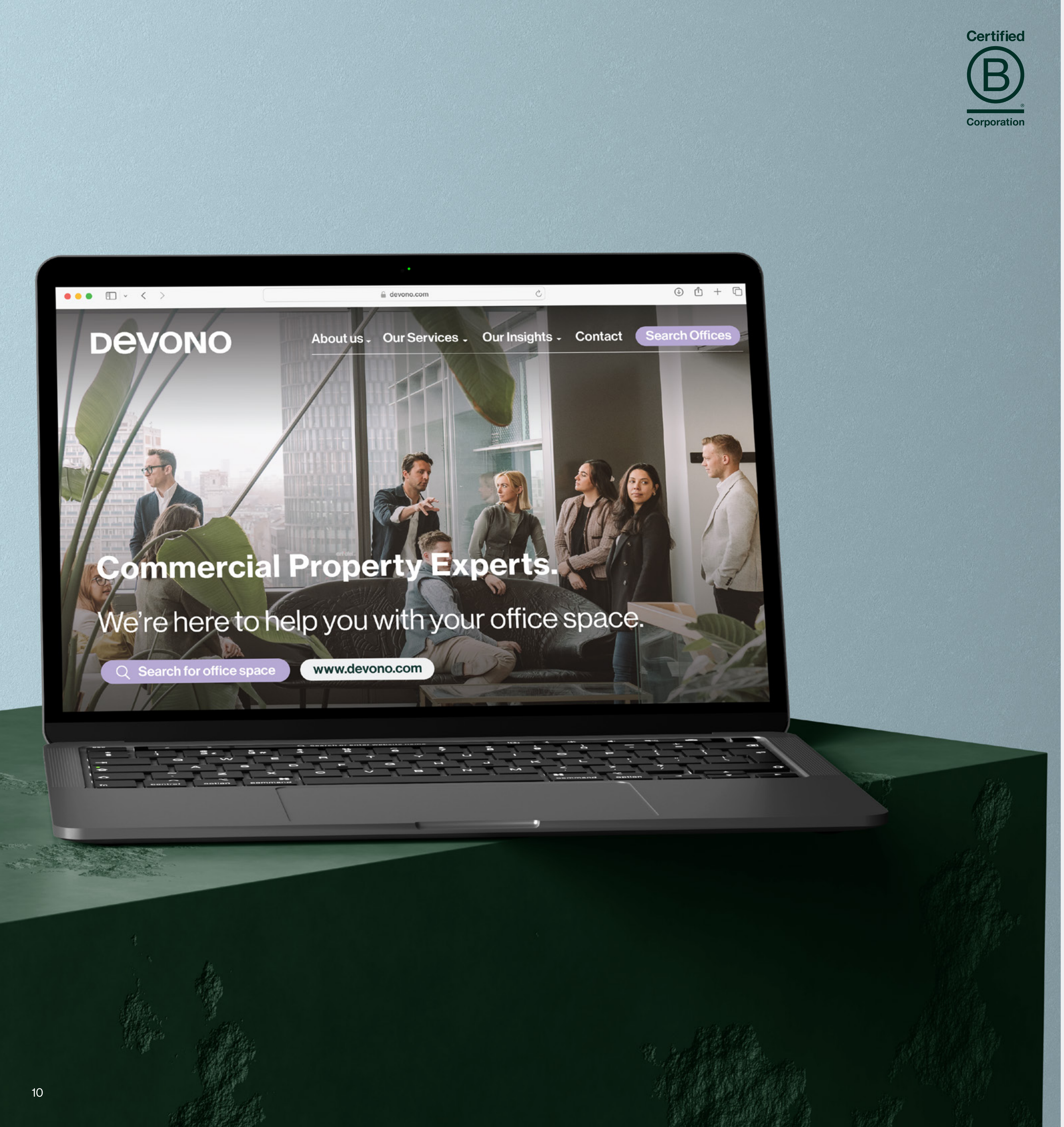
- The Autumn Budget was released on the 26th November, after months of firms bracing for another increase in costs.
- The budget proved more positive for the sector than expected, with the prophesied windfall tax on bank interest income not coming to pass. This has given financial firms reason to be positive although many are still operating cautiously. For example., JP Morgan has caveated that although the budget has given it confidence in greenlighting construction of a new tower in Canary Wharf, the "plans are subject to a continuing positive business environment".

ESG Complicance

- Amid news that the Bank of England informally deprioritised climate risk under Andrew Bailey, the government is now looking to make more concerted efforts to encourage the financial sector to be more climate-conscious in its approach.
- New regulations from the Prudential Regulation Authority (PRA) are coming into play to embed climate-related incidents into financial risk profiles.
- Expectations around reporting are also intensifying, with the consultation on the implementation of a UK Sustainability Reporting Standards oversight framework currently ongoing.

Cybersecurity

- As traditional financial firms look to integrate their services with novel forms of tech such as AI, these technologies also open up new avenues of attack for cyber criminals.
- In response, financial firms are having to invest more in threat detection, building operational resilience and training staff to be more aware of phishing scams.



About Devono

Devono is the UK's leading occupier-only advisory firm, proudly accredited as a B Corp and regulated by the RICS. We specialise in delivering tailored commercial real estate solutions that align with the diverse needs and strategic objectives of businesses across all sizes and sectors.

A significant part of our role is helping our clients understand and define their occupational requirements. We carefully consider factors such as talent acquisition and retention, headcount projections, operational priorities, and cost efficiency. This ensures we craft a forward-thinking brief that not only meets today's needs but also lays the foundation for a sustainable and adaptable occupational strategy.

At Devono, our mission is to navigate real estate opportunities in a way that positively shapes company culture, enhances productivity, and drives financial performance – creating lasting value for our clients and their teams.

Our Services

- Leasehold Office Agency
- Service Charge Consultancy
- Workplace Consultancy
- Design & Build
- Dilapidations & Building Surveys
- Occupier Disposal
- Rent Reviews
- Flexible Office Agency
- Managed Offices

Contact us

Shaun Dawson
Head of Insights
E: sd@devono.com
T: 020 7451 1321

Mark James
Research Analyst
E: maj@devono.com
T: 020 7096 9911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