

Adaptive Spaces

# London Flex Market Update Q1 2026

REPORT

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# Introduction

The UK flexible office market entered 2026 with renewed momentum, underpinned by strengthening occupier demand and increased activity. While economic uncertainty continues to influence decision-making, the first quarter of the year has seen a marked improvement in market confidence compared with the same period in 2025. Occupiers remain cautious on scale and term length, but appetite for high-quality, well-located flexible space is firmly re-established.

This edition of the London Flex Market Update highlights the growing influence of technology, media and telecommunications occupiers, particularly artificial intelligence-led businesses, on flexible leasing activity. These organisations are increasingly office-positive, prioritising collaboration, connectivity and future expansion optionality. As a result, flexible workspace continues to play a critical role in supporting phased entry strategies, interim occupation and agile portfolio growth across Central London and emerging submarkets.

Against this backdrop, operators and landlords alike are adapting their strategies. Pricing dynamics are becoming more polarised by quality and location, landlord-led and managed models are gaining traction, and expansion strategies are shifting beyond traditional core markets. Looking ahead, a tightening supply pipeline for prime conventional office space, alongside continued product evolution within the flex sector, points to improving conditions for transaction volumes through the remainder of 2026.



## AI-led demand fuels a strong start to 2026

↑ Up on Q1 2025

↓ Down on Q1 2025

Occupier demand strengthened in the first quarter of 2026, marking a notable improvement compared with the same period last year. Activity was firmly underpinned by the Technology, Media and Telecommunications (TMT) sector, with artificial intelligence (AI) companies emerging as the standout driver of flexible leasing demand, as explored in our [London's Future: AI-Driven Office Demand](#) report. While the wider technology sector has remained selective, AI-focused businesses have continued to take space at pace, distinguishing themselves from other tech businesses.

AI companies are showing a clear preference for in-office working, with many operating with explicit back-to-office mandates, reflecting the collaborative, research-intensive nature of their work and the need for close-knit teams. AI businesses are prioritising locations with strong transport connectivity, typically centred around major transport hubs, to support talent attraction and accessibility. There is also a clear focus on buildings and submarkets that offer future expansion potential, as headcount growth remains a core consideration despite current transaction sizes.

Most AI-led transactions recorded during the quarter have been relatively small in scale. These firms often establish an initial London presence with modest space requirements, testing the market before scaling up as teams expand. This phased approach allows companies to retain agility while positioning themselves in core locations early in their growth cycle.



↑ 40%

**Increase in flex requirements**



↓ 2,100 sq ft

**Average transaction size**



↓ 19 months

**Average tenure**



↑ 43%

**Transactions on behalf of TMT clients**



↓ £360 psf

**Highest rate achieved**



↓ 21%

**Renewals as a percentage of total flex transactions**

## What does stronger demand mean for flexible workspace operators?

Stronger occupier demand across the London office market is reshaping conditions for flexible workspace operators. While appetite to grow London footprints remains healthy, operators are becoming more selective on both scale and risk.

Rather than taking large, single-asset centres, many operators are focusing on smaller, serviced suites delivered through managed or hybrid structures, enabling flexibility without excessive balance-sheet exposure. Demand remains supportive, but growth is increasingly disciplined.

Strengthening demand for conventional office space is putting asset-light structures under pressure. Landlords are favouring direct occupiers over operators offering lower income certainty, shifting negotiating power back to owners. As a result, operators are increasingly required to commit more capital, provide rent guarantees, or accept higher fixed rental exposure to secure space, particularly in prime and competitive locations. Taking lease risk can drive stronger returns for operators with confidence in their product, brand and pricing power, reflecting increased participation in upside alongside greater exposure.

At 1 Great St Helen's, Landmark Space has secured a 52,000 sq ft prime City asset that reflects its continued focus on high-quality, performance-led workspace in core Central London locations.

The acquisition forms part of a broader strategy to expand through a disciplined mix of lease structures, targeting buildings where design, operation and insight are closely integrated under the operator's evidence-based strategy, Science at Work.



Landmark Space, 1 Great St Helen's, London  
Image Credit: Landmark

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1 Great St Helen's reflects the direction of travel in the market. Occupiers are increasingly focused not just on space at the point of lease, but on how the workplace continues to meet their needs over time.

Our approach is to design and operate buildings in a way that allows them to evolve through use, combining intentionally designed physical environments with human-centric delivery.

As we expand, we are focused on opportunities where we can apply this model in prime locations, supporting both immediate requirements and long-term sustainable performance

Tom Sleigh

Head of Property at Landmark Space

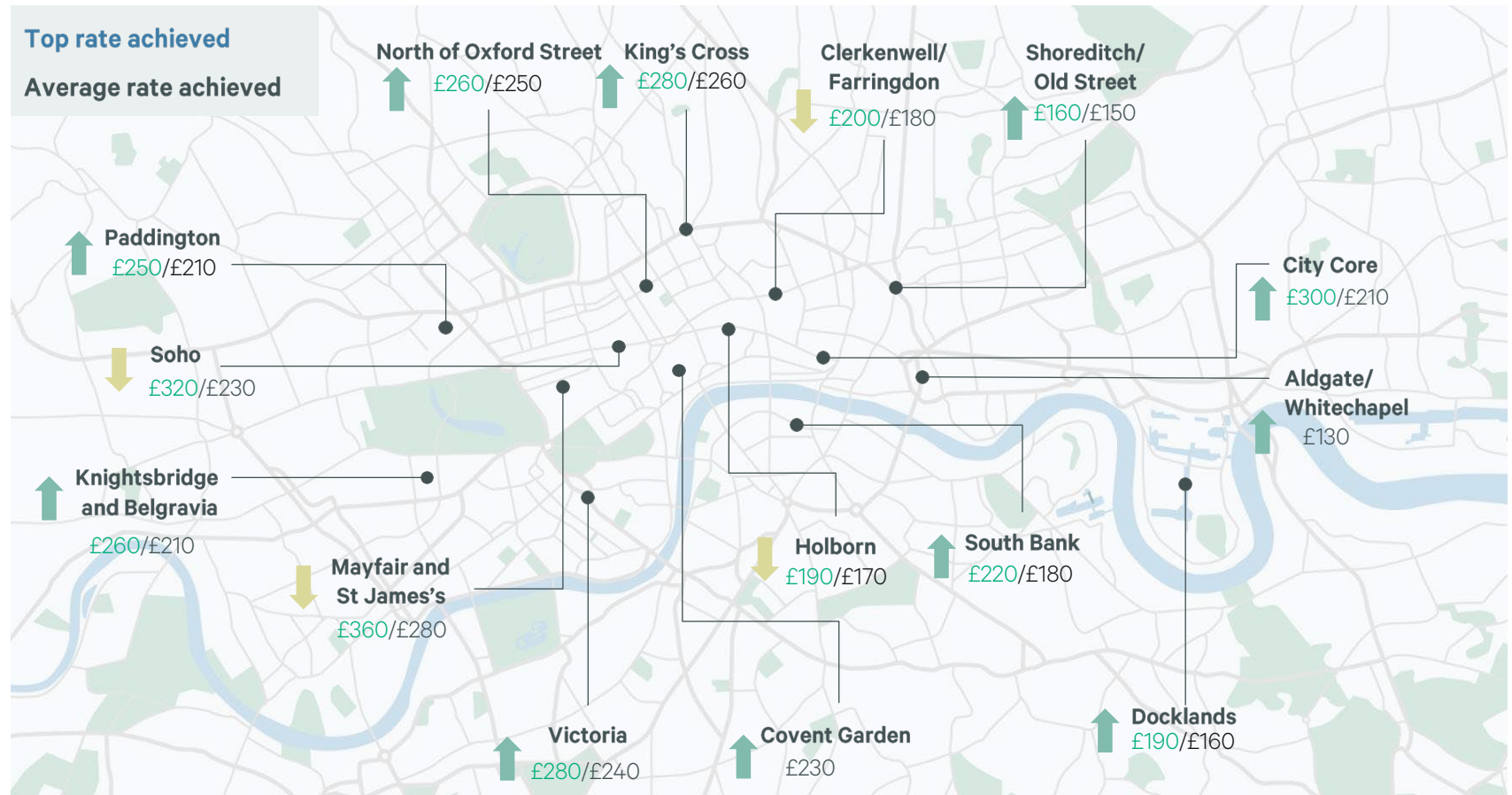
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# Central London prime flex office rates

Central London Flex office rates, Q1 2026 (£ psf) >10 desks

↑ Up on Q1 2025

↓ Down on Q1 2025



Source: CBRE

## CBRE Top rate achieved / Avg. rate achieved

CBRE Central London Prime Flex Office rates have increased across several core submarkets throughout the start of 2026. Rates in the City have increased by approximately 10%, driven by strong take-up for new best in class products such as Huckletree at 40 Leadenhall and The Work Project at 1 Leadenhall.

Submarkets such as North of Oxford Street and King's Cross are continuing to evidence average rate increases, primarily driven by sustained demand for high-quality products where prime location and superior building quality are central to the search. To meet this demand, operators such as Runway East are expanding their West End portfolio opening high-quality spaces across these core markets, aiding location-driven SMEs who are seeking best-in-class offerings.

The Midtown market has experienced a slight reduction in rates, attributed to an increase in supply coupled with less demand. Furthermore, the growth of the managed market within this submarket has contributed to compressing rents. A similar dynamic can be observed in Soho and Mayfair, both average and prime rents are high in the submarkets but have evidenced a slight price compression as more Landlord managed products enter the market.

## Market predictors for the year ahead: Flex operators look beyond core Central London as expansion strategies evolve



### Flexible operators push beyond core Central London

Flexible workspace operators are increasingly targeting emerging London submarkets as prime rents in core Central London continue to rise. Rather than dilute product quality, operators are backing well-connected, regeneration-led locations that offer strong amenities and long-term growth. Recent moves include IWG in both Olympia and Stratford and Industrious in Battersea, both benefitting from major infrastructure investment and growing occupier demand. This marks a clear shift in acquisition strategy.

Fewer core locations offer larger, more efficient floorplates and a lower cost base, enabling operators to deliver high-quality workspace more sustainably. For occupiers, these hubs support hybrid working - providing professional, flexible space closer to residential catchments without the cost premium of traditional CBD addresses.

### Landlords lean into flex partnerships

Landlords are increasingly integrating flexible workspace into core asset strategies. For owners of high-quality buildings with scale, flex operators are being used to activate space, enhance amenity and future-proof leasing strategies. Industrious has taken space at Osmo in Battersea, developed by Quadrant Estates, leveraging the building's sustainability credentials and large floorplates.

At Olympia, Yoo Capital and Deutsche Finance International have partnered with IWG to deliver flexible and incubation space as part of the £1.3bn regeneration. These collaborations reflect a broader alignment between landlords and operators as demand shifts towards flexibility, service-led space and experience-driven workplaces.

## Market predictors for the year ahead: Will we see record transactions levels?

Based on all the data we have access to, CBRE expects 2026 to be a record year for flexible office transactions, with three key drivers forcing this impact.

First, a constrained development pipeline in the City and West End is pushing occupiers to plan moves earlier. As a result, demand is rising for high quality, fully fitted space close to existing headquarters - both as short term overflow (6-12 months) and at scale on longer flexible terms (3+ years) while permanent options are assessed.

Second, fast growing AI and technology businesses continue to fuel demand. With uncertain headcount and the need for immediate occupation, flexibility, speed and amenity rich locations are critical.

Finally, the flex market itself has matured. More sophisticated, managed solutions are now supporting longer occupier commitments, particularly from SMEs and enterprise clients seeking flexibility without capital exposure.

Together, deeper product variety and broad submarket coverage underpin CBRE's expectation of record transaction volumes in 2026.



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2026 has seen robust demand for flex space and occupier appetite remains strong. While geopolitical uncertainty in the Middle East persists, the flex market continues to demonstrate growing resilience, with transactions of all sizes still progressing.

Most notably, corporate occupier demand is at record levels - driven by M&A activity, speed-to-market requirements, swing space needs, and, in some cases, simple capacity constraints. While we remain mindful of the outlook into summer, the fundamentals today are undeniably strong.

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Michael Glynn  
Head of Flex, UK, CBRE

## Market predictors for the year ahead: M&A and consolidation: Is 2026 likely to mark a turning point?



The flex market is moving into a new phase, and with that, transaction activity is starting to follow. This is not a market under pressure. It is one that has reached a level of maturity where capital, operators and landlords can be more deliberate about growth. Investors are looking at platforms that can demonstrate real enterprise demand, operating discipline, data quality, and a clear handle on risk. What matters now is the quality and sustainability of earnings, how the business is governed, and whether performance can be delivered consistently.

The next period of activity is likely to be steady rather than dramatic. We expect to see more targeted acquisitions, partnerships, and management-led deals, with capital taking a careful, selective approach. Pricing is becoming more differentiated, driven by how predictable earnings are and how risk is shared. Asset-light platforms continue to attract strong interest and are valued accordingly but leased and hybrid models are very much part of the mix where the buildings are right, the leases make sense and performance is proven. Across the board, buyers are looking closely at costs, structure, and resilience.

Landlords are also stepping in more thoughtfully. The direction of travel is towards partnership rather than outright ownership, with growing use of income security with participation in performance. These structures allow owners to remain flexible while relying on operators to deliver the platform, people and customer experience. For many landlords, flex has become an important part of keeping assets relevant to enterprise occupiers.

London continues to lead the market, supported by depth of demand and its global pull, with growth increasingly coming through regional and international partnerships rather than heavy balance-sheet expansion. Capital remains focused on businesses that are well run, easy to understand, and able to clearly articulate how they make money. Over the next 12 to 18 months, the operators best placed to succeed will be those who know their business inside out, can talk confidently about performance, and engage early with the right partners, whether they are looking to grow, collaborate or prepare for a transaction.

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