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FROM VACANCY TO VITALITY:

Repurposing London's secondary offices for housing

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Introduction

1. The COVID-19 pandemic has challenged the traditional office model, with UK office occupancy currently averaging just 37% compared with 60-80% in 2019.[1] In the years after the pandemic, many companies downsized or redesigned their offices to better suit a hybrid working environment. More recently, however, businesses have increasingly encouraged staff to return to the office more often to boost collaboration, workplace culture, and productivity.

2. In London, this has driven a clear "flight to quality", with demand focused on modern, well-located, energy-efficient buildings to attract staff back to the office, while older, less adaptable offices in weaker locations are increasingly left vacant. At the same time, there is an acute shortage of prime office space, which puts upward pressure on rents and limits options for occupiers seeking the highest-quality space.

3. This shift in workplace demand raises a pressing question: does London now have too much of the wrong kind of office space in the wrong locations? As vacancy rates climb in many town centres, large amounts of lower-quality or poorly located office stock risk becoming long-term liabilities. While poor-quality offices in areas of high demand may represent good investment opportunities, owners of poor-quality space in areas of low or declining demand will need to explore alternative uses in the near future.

4. Repurposing redundant commercial space for residential use offers one of the most viable solutions, both to revitalise underused parts of the city and to help meet London's urgent housing need. Current planning frameworks, however, often treat all office stock equally, failing to reflect differences in quality, location, and market demand. This briefing note examines these challenges and considers how planning policy could better support this shift.

Repurposing to residential?

Repurposing obsolete office space delivers a new, more productive use for a building or wider area, helping to restore the vitality of a local high street or town centre. Repurposing could provide a boost to local economies and bring more new homes that the capital so desperately needs.

By way of a theoretical illustration, if 10% of London's c.30 million square metres (sqm) of office space is characterised as having high vacancy, this provides the possibility that 3 million sqm could potentially be converted into approximately 40,000 new homes.[2] Not all of this obsolete space would necessarily be suitable for residential use, and the viability of schemes could only be determined on a case-by-case basis, but at a pan-London level, it provides a sense of the scale of the benefit.

[1] News Release: Five Years On from Lockdown – Remit Consulting's Research Reveals UK Office Occupancy Hits Highest Level Since Pandemic Began", Remit Consulting (2025)
[2] Sources: Commercial and Industrial Floorspace, London Datastore, (2019); If 3 million sqm of vacant office stock were freed up, dividing this by an average London dwelling size of 77 square metres (Housing in London: 2019, GLA) suggests the potential for approximately 40,000 new homes. This is a simplified estimate, as ancillary space such as corridors and communal areas reduces the net residential floor area, so the actual number of homes would likely be lower.

Does London have too much office space?

5. London has in the region of 30 million sqm of office floorspace. That figure has always fluctuated in response to economic conditions and workplace trends. Another way to answer the question is to consider vacancy levels, which are a key indicator of market health i.e. the proportion of office space that is unleased and available on the market. A vacancy rate of between 5–10% is generally considered healthy, allowing businesses to find the space they need at affordable rates while still delivering returns that attract investment into office space. Once vacancy levels approach 10%, investors begin to question whether this signals a longer-term shift in demand. When it climbs to 15–20% or higher, as a general rule, it becomes a serious concern.

6. Unfortunately, there is no consistent, independent assessment of office vacancy in London, with current insights drawn from fragmented data sources, often buried in individual planning applications or shaped by varying methodologies. In CBRE Planning's view, London's current office vacancy level is around 10–15%, but with a concerning level of additional vacancy masked by long-term leases and under-occupation, as well as grey spaces that are not being actively marketed.

7. While it is useful to look at the total amount of office space in London, the real issue is where that space is located and whether it meets modern tenant expectations. Older buildings may fall short not just because of age, but due to outdated design, poor energy efficiency, limited amenities, or weak digital infrastructure. The key question is whether these buildings can be retrofitted to meet current needs at a cost that works for owners. While well-located offices may justify the investment, those in areas where demand has fallen sharply may be better repurposed for residential use, offering a more effective use of the space and helping to avoid long-term vacancies and pockets of economic decline.

International comparison

In terms of office occupation, compared with other global competitors, London performs strongly, with vacancy rates of 10–15%, outperforming Paris (17%), Berlin (20%), Hong Kong (25%), and New York (23%).[3] However, this is no cause for complacency, as vacancy remains above pre-pandemic levels, and upcoming changes to Energy Performance Certificate regulations will demand higher capital expenditure to keep a significant share of office stock compliant. Despite expected exemptions, for some assets, it will be challenging to recoup the cost of compliance. Whilst well-located offices may be suitable for retrofit, much of the vacant space is in weaker locations with limited potential as office space and should be repurposed.

Occupancy and vacancy – Central vs. Outer London

8. London's office market is made up of distinct submarkets such as the West End, City of London, King's Cross, and emerging markets such as Shoreditch, each with its own dynamics. While there is some fluidity of tenants between these areas, the extent of movement and interaction is difficult to quantify precisely. Office space in the West End and City of London has

[3] Global Cities Survey, London Property Alliance (2025).

higher occupancy rates (55–60%) compared with outer London (25–30%), reflecting the ongoing appeal and accessibility of these areas.[4]

9. Strong demand and limited supply of prime space have driven rents up across Central London, with the highest growth in Soho (£110 per square foot (PSF) in 2023 to £120 PSF in Q2 2025) and Mayfair and St James's (£150 in 2023 to £170 PSF in Q2 2025). Prime rents in the City have also risen significantly (£75 PSF in 2023 to £85 PSF in Q2 2025), due to the mismatch between new supply and demand.[5] Some occupiers are shifting to the City or nearby sub-markets where new developments better meet their needs.

10. However, even in parts of the City and West End, vacancy rates remain above average, especially for poorly located or lower-quality stock. Data from CBRE shows that the vacancy rate for Central London offices currently stands at 7.8% (Q2 2025), and while this hasn't been higher than 10% since 2004, it represents a significant increase from 2019, when vacancy sat at 3.8% by the end of Q4.[6]

11. Even in Central London, demand for office space depends on the quality, location, and size of space. As a result, some areas and building types will face disproportionately high vacancies, as they are harder to let and uneconomic to upgrade. The City of London Corporation's Future of Office Use report highlights high vacancies in areas such as the Eastern Cluster and Aldgate due to outdated buildings.[7] Tenants now prioritise quality, flexibility, and sustainability over location alone, so future offices will need to be more adaptable and support a broader range of uses.

12. A key factor contributing to comparatively low vacancy in the West End is the trend of large occupiers relocating from Outer London, downsizing back-office functions elsewhere in the UK, and seeking amenity-rich, centrally located headquarters to attract talent. GSK's move from Brentford to New Oxford Street exemplifies this, moving from a 100,000 sqm site in Outer London to a 14,000 sqm office in Central London.[8] However, when anchor tenants leave outer London centres, dependent local businesses often suffer, increasing vacancy there.

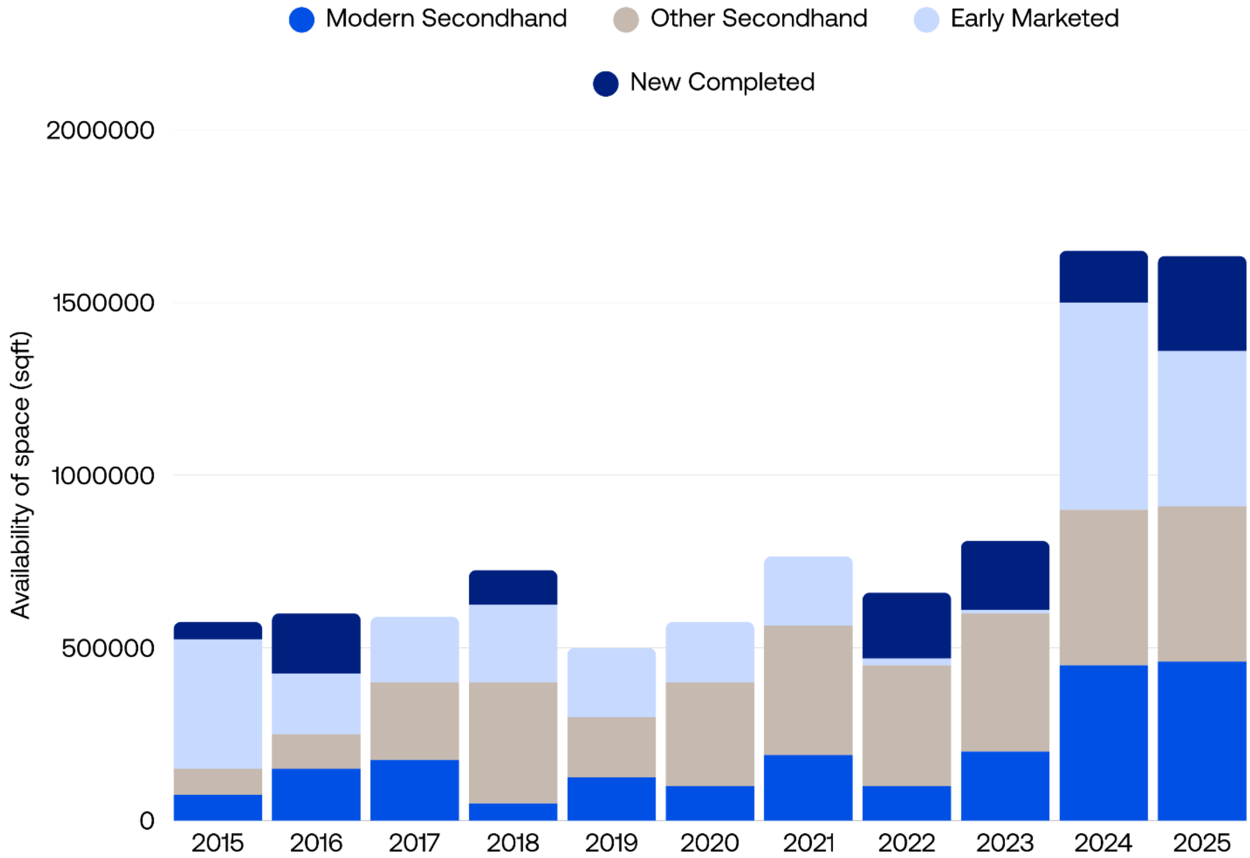
13. Many Outer London offices, built in the mid to late 20th century to attract commuters, are now experiencing increasing vacancies. Locations once valued for their proximity to airports are also struggling due to remote working and improved transport links such as the Elizabeth Line. Much of this stock is outdated, while better-quality space is often nearby.

14. Hammersmith clearly illustrates the challenges in West London's office market. The office vacancy rate stands at 21.6%, with just over 158,000 sqm of supply in spaces over 930 sqm, a 6% increase compared with Q4 2024.[9] As detailed in Figure 1, more than half (52%) of this is second-hand space, which risks becoming obsolete or hard to let as new developments come online. While some high-quality new supply is attracting tenants, the largest letting so far this

[4] Sources: Office "occupancy" is the percentage of office space that is actually being used by workers on a given day; News Release: Five Years On from Lockdown – Remit Consulting's Research Reveals UK Office Occupancy Hits Highest Level Since Pandemic Began", Remit Consulting (2025)
[5] Central London Office Figures Q2 2025, CBRE (2025)
[6] Central London Office Figures Q2 2025, CBRE (2025)
[7] City of London Corporation Future of Office Use, City of London Corporation (2023)
[8] GSK moves into New Oxford Street office in boost for central London, CityAM (2024)
[9] Hammersmith Office Market, CBRE Research, Valuation Office Agency (2025)

year being the Premier League's 77,000 sq ft deal at Olympia, absorbing the current availability would require the equivalent of 23 more lettings of that size, highlighting the scale of the challenge. Serviced office space (about 46,000 sqm) remains popular with tenants seeking flexible, ready-to-use offices.

Figure 1: Availability of Office Space in Hammersmith (spaces >10k sq ft) 2015-2025 Q2



Source: CBRE Research

15. The pattern in Hammersmith mirrors trends across West London (Figure 2). Total available office space in larger spaces has risen to just under 316,000 sqm, a 42% increase since the end of 2022.[10] This growth has been driven by secondary office space, which has increased 168% since 2019, alongside new and pre-let supply, which has risen 194%. Vacancy rates stand at 15.2% at the end of Q2 2025, reflecting the high proportion of older, secondary space in the market and the ongoing preference of tenants for high-quality and well-located offices.

16. Similar trends are visible elsewhere in London. Stratford, for example, experiences high vacancy rates but benefits from newer buildings, strong transport links, retail, sports facilities, and growing cultural venues. Overall, these patterns highlight that rising vacancy is driven by

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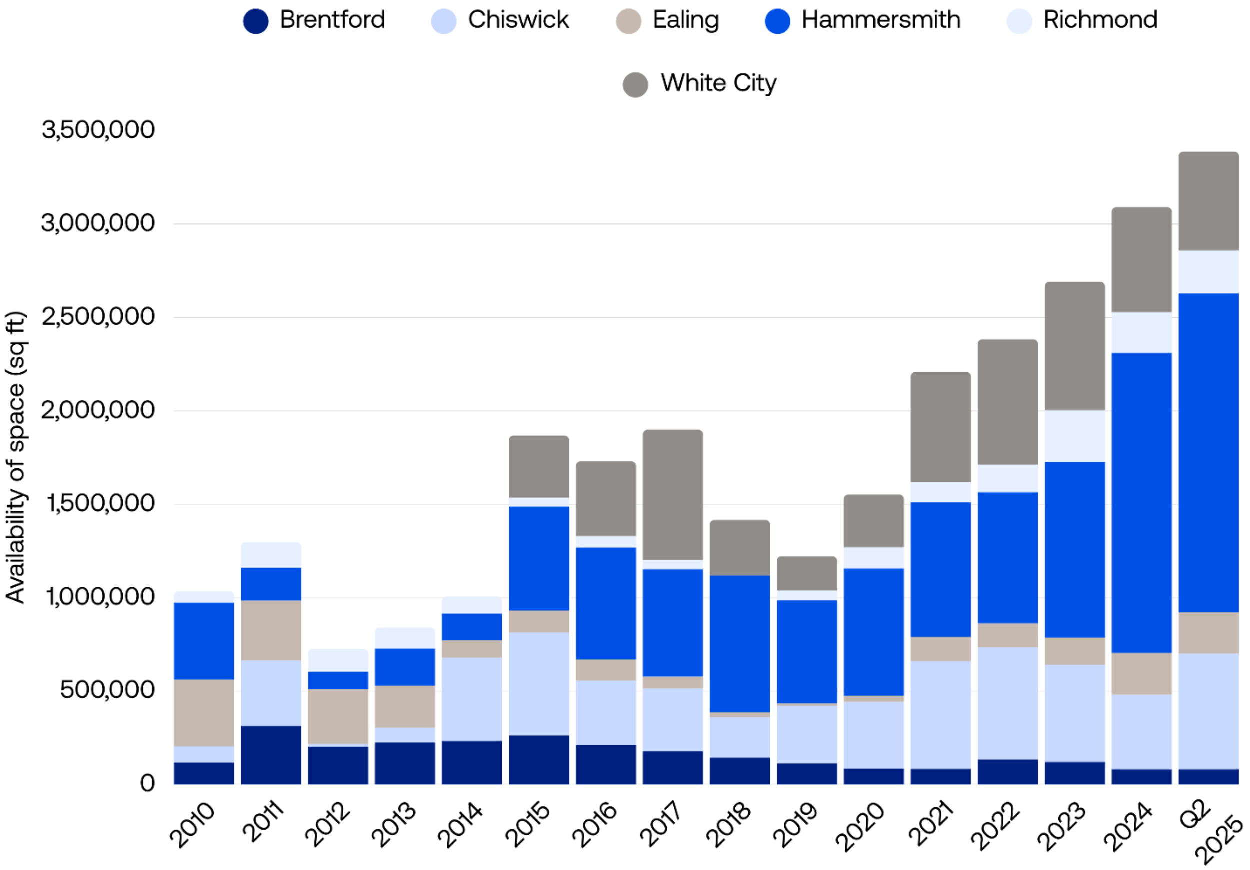
[10] Hammersmith Office Market, CBRE Research (2025)

an oversupply of secondary space, and only high-quality, well-located offices continue to attract strong demand.

Figure 2: West London Office Space Availability by Market

2010 – Q2 2025



Source: CBRE Research

Challenges and costs – energy efficiency and other upgrades

17. Landlords and developers are facing the challenge that all non-domestic buildings must achieve an EPC rating of B by 2030 to be legally lettable, although the Government is due to announce whether this will be pushed out to 2035.[11] By 2027, CBRE estimates that approximately 1,477,000 sqm of commercial space in Central London will return to the market as large leases expire. Data is available for 1,170,578 sqm of this space, of which only 9% currently meets the required energy performance standards. Upgrading the remaining

[11] What can we expect from the upcoming changes to Minimum Energy Efficiency Standards? CBRE (2025)

1,105,500 sqm of inefficient office space to EPC A or B is estimated to cost £370 million, around £334 per sqm (£31 per sq ft).[12]

18. In Central London, the payback period for undertaking the energy performance upgrade can be as short as three years. Making this investment can help to avoid depreciation of inefficient assets and reduce voids, given the greater demand from occupiers and investors for sustainable buildings. However, with higher vacancy levels and lower rents, many Outer London assets may not be able to absorb this cost, especially offices with the lowest EPC bands. This means that spaces failing to meet EPC regulations and located in low-demand areas will need to explore repurposing to avoid becoming obsolete.

19. Older and poorly located office space will also suffer from changing tenant workplace expectations. Many businesses are looking for high-quality, tech-enabled space with flexible layouts that encourage collaboration over traditional meeting rooms and complement and support hybrid working. While fit-out costs can be high, these spaces allow for more efficient use and better reflect tenant expectations. However, with demand uneven across London, upgrading older stock can be difficult to justify. Rising operational costs add further pressure. For example, from April 2025, changes to the business rates multiplier will increase costs for both landlords and tenants, as higher multipliers raise the tax bills on commercial properties, affecting rents and overall occupancy expenses.

20. While some occupiers may consider more affordable locations, this is unlikely to drive major locational shifts given the continued strength of the flight to quality. In some cases, faced with prolonged vacancy and uncertain demand, landowners have little choice but to strip out office buildings to remove them from the rating list and make them exempt from business rates. This deepens the costs and challenges to bring such space back into office use, requiring costly reinstatement and refurbishment before it can be reoccupied.

Planning policy and political sensitivities

21. The current London Plan, adopted in 2021, places strong emphasis on protecting office space, particularly in the Central Activities Zone (CAZ) and other key locations. The Plan aims to ensure that there is enough office space to support economic growth and maintain London's position as a global business centre. At the same time, the Plan encourages flexibility to respond to changing market conditions, including the temporary or permanent conversion of office space to other uses such as residential or mixed use, particularly in areas with high vacancy. It also promotes revitalising town centres and high streets through mixed-use development, recognising that vibrant, sustainable communities can help reduce office vacancies.

22. In May 2025, the Greater London Authority (GLA) published *Towards a New London Plan*, a consultation document setting out the strategic choices that will guide the next version of the Plan, which is expected to be published in draft form in 2026. The consultation reaffirms the importance of the CAZ and town centres in supporting economic diversity and vibrancy. It

[12] What does the future hold for Central London's Office Supply?, CBRE (2024)

proposes a more flexible approach to the mix of businesses and commercial activity in town centres and high streets. It also puts forward a more proactive policy approach to repurposing underused commercial space, such as offices and retail units, for housing, community use, or flexible workspace, in response to evolving demand and to strengthen local resilience. This approach will ensure that the commercial function of town centres can be supported with more residents living nearby, while creating the opportunity to deliver residential development in place of redundant commercial space.

23. The consultation sets out the GLA's intention to review the CAZ boundaries to reflect changes in the mix of commercial and residential uses following the pandemic. This could mean removing some fringe areas of the CAZ, opening them up to more residential and mixed-use development, while protecting the remaining commercial core of the CAZ to help reinforce London's global competitiveness.

24. At a borough level, local plans have differing levels of protection for office space, and therefore, the degree to which any loss of office space to other uses is accepted varies between boroughs. Within protected locations, most boroughs require evidence that office space has been actively marketed for at least 12 months (others 18 or 24 months) at a reasonable price before considering conversion to other uses. There are some boroughs where no marketing evidence is accepted, such as Tower Hamlets, applying a 'no net loss' approach to protected areas. Historically, not all boroughs have overly scrutinised whether a realistic price has been set and whether a genuine effort has been made to attract tenants. Developers will typically focus on whichever use offers the highest return, so when residential values are high, there is often strong pressure to convert office space into housing. This makes a cautious approach to protecting office space understandable.

25. For some boroughs, reducing the amount of office space in their area raises broader concerns beyond planning policy. Offices support local employment, and converting them to residential or other uses may diminish job opportunities and impact the local economy. Yet, at the same time, hybrid working means that more people are working at home and putting money back into the local economy through spending in local shops and leisure facilities.

Recommendations to support repurposing

26. The two big challenges that the new London Plan must address, and which are acknowledged in *Towards a New London Plan*, are supporting a step-change in housebuilding and facilitating economic growth in the capital and beyond. While multiple levers will need to be pulled to deliver both, repurposing redundant office space, while reinforcing the need for well-located, high-quality new office space, is one way to help achieve this. Set out below are five recommendations about how planning policy in London can support repurposing.

Introduce a 'healthy' vacancy principle

27. The London Plan should aim to achieve a 'healthy' 5-10% vacancy level across London's office stock, and this principle could be included in the revised version of the London Plan. It would not be a target but a reference or guiding point for policy relating to office space. While

arguably an overly simplistic barometer, it can provide a sense check for policies in the London Plan and local plans – where vacancy is low, it implies the need for more space, and where vacancy is high, it would suggest there is an excess of space. This would complement an approach that is seeking to help London's businesses to thrive while at the same time repurposing secondary office stock.

Undertake a spatial demand-supply analysis of office space

28. A standardised system across London is needed to accurately track all existing office space by vacancy and use. While Valuation Office Agency data shows the amount and location of office stock, there is no accessible or detailed enough data to reflect borough-level occupancy. The GLA should explore how the London Planning Datahub could capture and host this information.

29. Mapping office stock by borough and submarket should be standardised, incorporating pipeline developments such as permissions granted and buildings under construction, which are already tracked. Combining this with other key metrics would provide a clear headline measure of supply. This should be compared against employment forecasts and sector-specific economic activity to understand demand.

30. Vacancy and utilisation rates also require more reliable and consistent monitoring. Data on vacancy, take-up, business rates identifying long-term vacant properties, as well as footfall and transport patterns, can offer valuable insights. Together, these sources can pinpoint areas with persistently high vacancy and or weak demand.

Standardise and streamline marketing evidence requirements, and limit marketing periods

31. Despite existing local planning policies allowing the controlled loss of office floorspace, there are still concerns about their effectiveness in facilitating greater numbers of conversions. Current policies require marketing evidence to prove that office space has been actively marketed and has no viable demand. However, the quality and rigor of this evidence can vary significantly, depending on both the applicant's submission and the local authority's ability to assess it effectively. To enable more consistent and informed decision-making across the capital, the London Plan should introduce clearer guidelines for submitting and evaluating marketing evidence, with further detail, including a defined maximum marketing period, set out in London Plan Guidance. In addition, providing planning officers with regular training opportunities could help further strengthen their ability to assess complex evidence effectively.

Encouraging viability assessments for office retention

32. Viability assessments are essential for evaluating the financial feasibility of improving office spaces. They can clarify the costs and requirements associated with meeting regulatory standards, such as achieving EPC B ratings by 2030 (or as above, potentially 2035), and the level of quality needed to attract tenants. By providing insights into whether an office can remain profitable, these assessments can help determine if a marketing effort is worthwhile or if a conversion to alternative uses is more practical.

33. While interpreting viability assessments can be complex due to the intricacies of financial and technical data, local authorities should invest in training and resources to enhance their evaluation capabilities. Engaging independent third-party reviews of these assessments can increase accuracy and transparency, thereby expediting the conversion process.

Prioritise residential use for office space conversions

34. Assuming the case for the release of office space has been justified and that alternative uses can be supported, a residential-led solution is likely to align with the strategic priorities of most London boroughs and should be supported in planning policy, including the London Plan. This may involve repurposing the building or, where floor plates are unsuitable for residential conversion, demolishing and rebuilding.
35. However, residential use will not be viable in every case. In some locations, hotel development or purpose-built student accommodation may be more suitable. While these uses may not always be favoured by local authorities, they offer significant opportunities to repurpose redundant office space, supporting the local economy by creating jobs or providing student housing that helps free up private rented homes.

    CBRE's research shows that in London, 3.3m sq ft of office stock at £2.5bn was sold between 2022 and 2024 for conversion to life sciences, hotels, student accommodation, and wider residential assets.[13]

Conclusion

36. Hybrid working, rising sustainability expectations, and shifting occupier needs have changed the nature of demand for office space in London, especially outside prime central areas, where a considerable amount of office stock is now underused or obsolete. High office vacancy rates provide an opportunity to rethink how obsolete space is used. With a more targeted, evidence-led approach, surplus office buildings could be repurposed into much-needed housing, or other uses, supporting both housing delivery and local economies. Realising this potential requires a proactive approach and planning policies that remove barriers to change and help unlock development opportunities.

[13] Repurposing: How UK cities are evolving, CBRE (2025)

Contributors

CBRE

CBRE Group, Inc. (NYSE: CBRE), a Fortune 500 and S&P 500 company headquartered in Dallas, is the world's largest commercial real estate services and investment firm (based on 2024 revenue). The company has more than 140,000 employees (including Turner & Townsend employees) serving clients in more than 100 countries. CBRE serves clients through four business segments: Advisory (leasing, sales, debt origination, mortgage servicing, valuations); Building Operations & Experience (facilities management, property management, flex space & experience); Project Management (program management, project management, cost consulting); Real Estate Investments (investment management, development).

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