



THE OFFICE EQUATION

UNLOCKING THE VALUE BEYOND PRIME

Better never settles

CONTENTS

01

**THE ART OF
COMPROMISE**

02

**TWO
TRUTHS**

03

**DIFFERENTIATED
DEMAND**

04

**THE QUALITY
SPECTRUM**

05

**MARKET
CONTEXT**

06

**THE VALUE
PROPOSITION**

07

CONCLUSION

An aerial night view of a city. In the foreground, a large, historic brick building with a curved, ribbed roof is illuminated. To its right, a modern skyscraper with a glass facade is lit up with blue and red lights. The background shows a dense urban landscape with other buildings and city lights under a dark sky.

THE ART OF COMPROMISE

The position of the office as a workplace has shifted materially in the eyes of occupiers. From ‘just an office’, changes in ways of working, competition for top talent and comprehensive brand management have all combined to push firms to find the ‘right’ workplace for them.

This is demonstrated in data from our [What Occupiers Want](#) survey, which found that talent sourcing & retention was the key driver of real estate decision making for firms across EMEA, followed by cost pressures and corporate branding.

This has meant that occupiers are now more discerning than ever before in their search for offices, raising their expectations of what offices can deliver and seeking greater returns on investment from their workplaces across a number of axes.

Larger requirements in particular are activating their requirements several years ahead of their lease events – in some cases more than five years ahead of expiry – in order to ensure they can find and secure the right space for their business and employees.

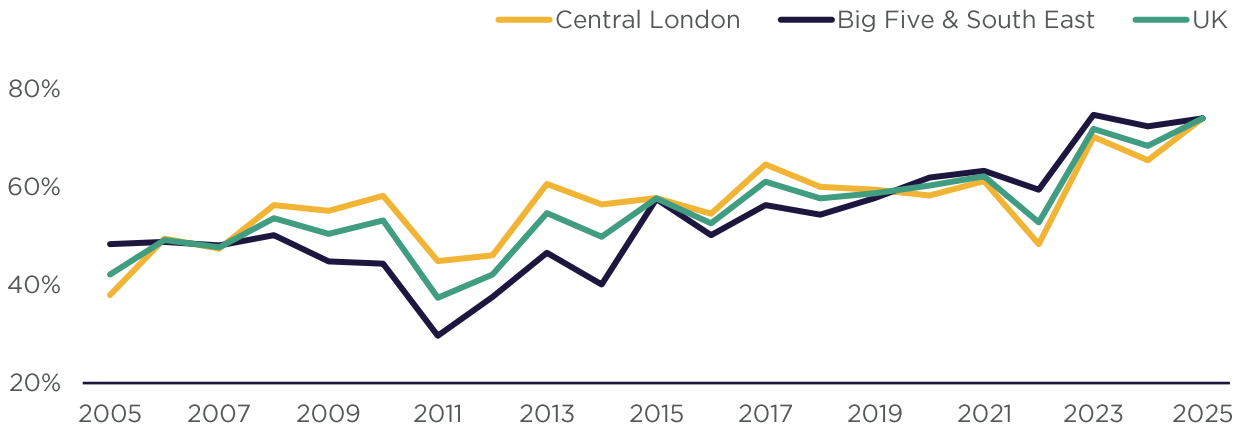
While this will vary from firm to firm, there is often common ground between occupiers. As a result, as requirements have become more precise, demand has concentrated toward high quality, well-connected and highly amenitised assets in central core locations.

These enable firms to cut down commute times for current and future employees by having strong transport links – particularly around the Elizabeth Line hub stations in Central London – as well as offering multitude of other services for staff to access when they come to work. This includes gyms, retail, restaurants and other leisure activities located near to the workplace, helping to overcome the time and capital cost of the commute to better incentivise employees.

From a specification point of view, recent activity has been centred on newly built or extensively refurbished Grade A buildings, offering high quality end-of-trip facilities and other in-house amenities as well as exceptional levels of sustainability.

This concentration of demand can be seen in the three highest Grade A take-up market shares being achieved in 2023 (72%), 2024 (68%) and 2025 (74%) across the UK.

GRADE A SHARE OF TAKE-UP BY MARKET



Source: Cushman & Wakefield, 2026

THE ART OF COMPROMISE

Developers and landlords have had to evolve their buildings to rise to these new standards of modern occupiers. As demand for those that do meet these specifications has rapidly flourished, supply has not been able to keep pace with the availability of these spaces expected to erode further over the medium-term future.

Tightening supply and strong demand has resulted in significant rental growth at the top of the market. Prime headline rents across UK office markets increased by 30% in the five years to Q4 2025, amounting to the strongest increase in absolute terms on record.

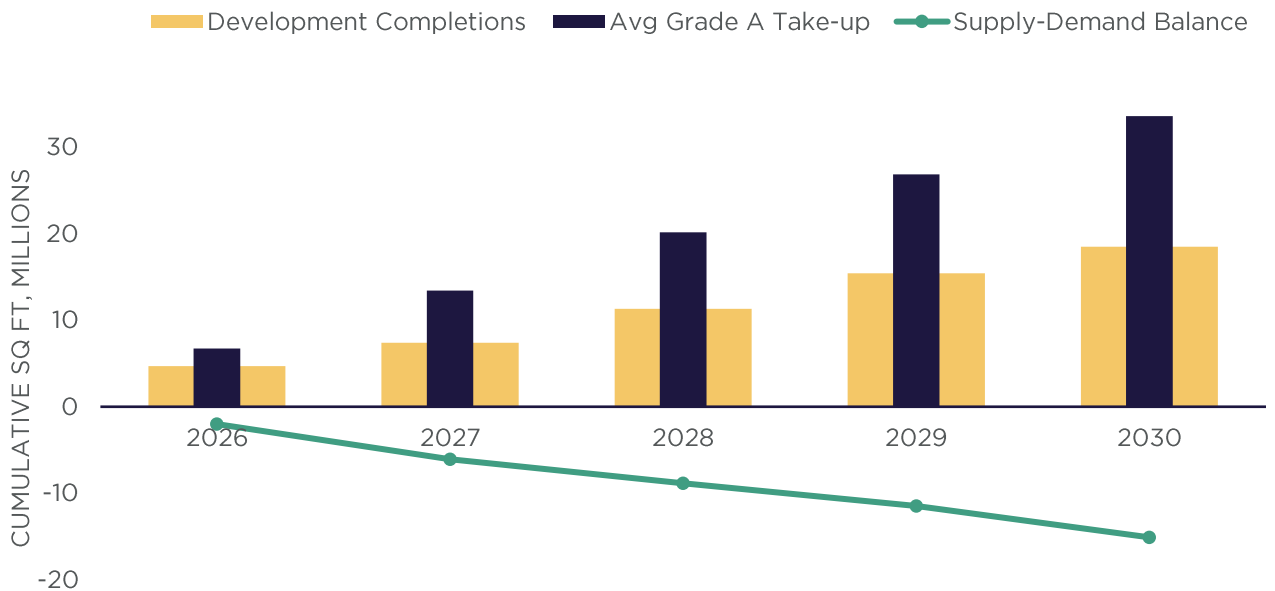
Consequentially, a growing number of firms seeking space in city centre office markets across the UK are finding that there are no available spaces that meet their size and specification standards, none they can afford – or both. Looking ahead, this picture is likely to become more severe over the medium term.

In Central London, the development pipeline (including under construction & available and pipeline probable schemes that have not yet started on site) amounts to 18.5 million sq ft to be delivered cumulatively from 2026 to 2030.

Meanwhile, Grade A take-up averaged 6.7 million sq ft per annum from 2022 to 2025, with this used to estimate 33.6 million sq ft cumulative take-up over the same period. This amounts to an estimated supply shortfall of Grade A space of 15.1 million sq ft by 2030.

Similarly, across the Big Five* national office markets, the current under construction pipeline of just 1.7 million sq ft is equivalent to less than one year of Grade A take-up. If no new spaces come forward, this would amount to an under supply of 8.8 million sq ft by 2030.

CENTRAL LONDON OFFICE CUMULATIVE DEVELOPMENT DELIVERIES VERSUS GRADE A DEMAND



Source: Cushman & Wakefield, 2026

*The Big Five relates to Birmingham, Bristol, Edinburgh, Leeds and Manchester.



Additionally, viability challenges relating to the office market and real estate generally – including inflated build costs, increased borrowing costs, planning backlogs and structural shifts – mean this picture is unlikely to change materially going forward.

The discrepancy between supply and demand will cause existing Grade A supply to be eroded – provided it meets the quality, size and location requirements of occupiers.

Limitations within this existing supply – namely around stock in the right locations with sufficient floorplate sizes – and increasingly discerning occupier requirements will see many firms with few options to choose from.

For these occupiers, this means they will have to compromise on their standards. The question is, what will win out: location or quality? History suggests both things can be true.

62

TWO
TRUTHS



Over the last 20 years, the supply of Grade A space relative to demand in core Central London submarkets has fluctuated. This is measured through years' supply, which divides availability by average take-up levels to estimate how long it would take for the current supply of space to be entirely eroded, assuming consistent demand.

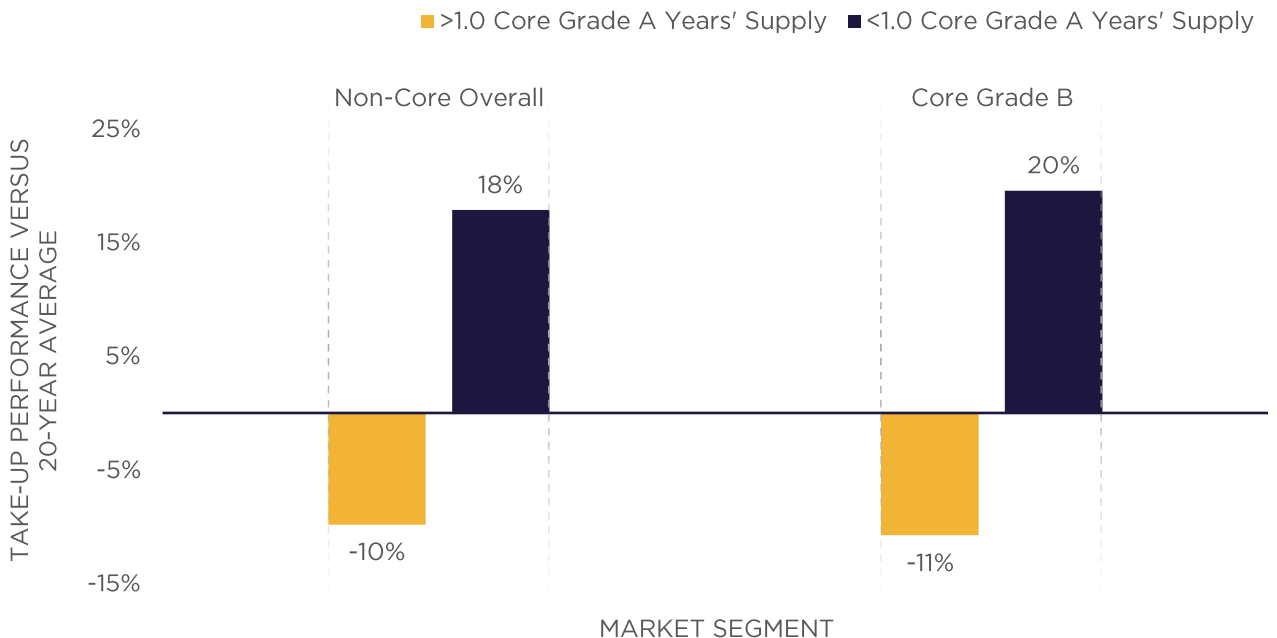
Comparing this with non-core take-up activity over the last 20 years, there is a relationship. When there is sufficient level of availability relative to demand for core (in terms of location) Grade A stock (over 1.0 years' supply), non-core take-up averages 10% below its long-term 20-year average. However, when core Grade A supply drops below 1.0 years, non-core take-up surges to 18% above the long-term average. Rents are also impacted, with annualized rental growth increasing from 5.1% to 7.9% in non-core submarkets when core Grade A supply is above or below 1.0 years' respectively.

This evidences the 'pressure valve' function these non-core localities have historically served, enabling core occupiers an alternative when supply levels get too low to secure the space they need.

A similar trend can also be seen for core Grade B activity. Here, core Grade B activity underperforms its long-term average by 11% when core Grade A years' supply is above 1.0. When this drops below 1.0 years, core Grade B activity rises to 20% ahead of the long-term average – a significant uptick. Again, rents also reflect this relationship. Rental growth increases from 1.8% up to 7.3% in core Grade B stock when core Grade A supply is above or below 1.0 years respectively.

In both instances, demand for core Grade A stock does not diminish relative to supply, hence upward rental growth pressure is expected to persist.

CENTRAL LONDON OFFICE ROLLING 12-MONTH TAKE-UP PERFORMANCE BY MARKET SEGMENT VERSUS CORE GRADE A YEARS' SUPPLY



Source: Cushman & Wakefield, 2026

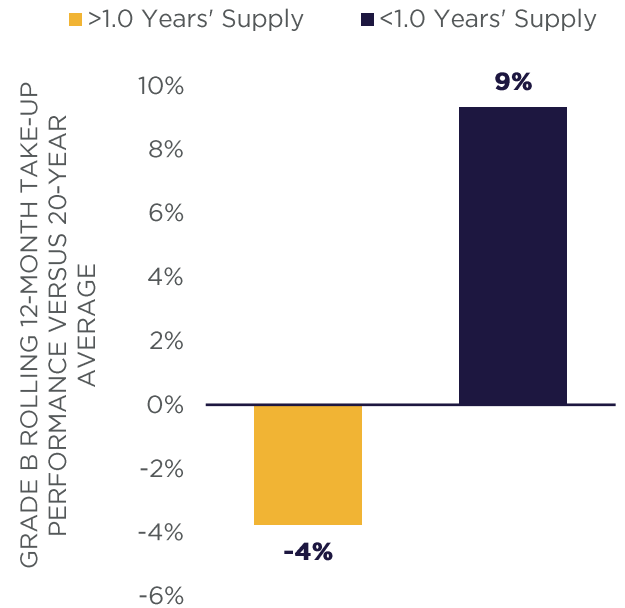
BIG FIVE GRADE B ROLLING 12-MONTH TAKE-UP PERFORMANCE VERSUS GRADE A YEARS' SUPPLY

Being historically supply-challenged markets, the Big Five city centre national office markets also demonstrate this trend.

Grade B activity increases by 9% against its long-term average when Grade A years' supply drops below 1.0, versus a 4% shortfall above this threshold.

Viability challenges in the national markets have been more severe due to historically lower rents relative to Central London.

This in turn has meant that the association between Grade B and Grade A take-up is less pronounced as Grade A supply has rarely – if ever – matched demand levels in the Big Five.



Source: Cushman & Wakefield, 2026



63

**DIFFERENTIATED
DEMAND**

Interestingly, demand does not differentiate between compromising on location or quality indiscriminately. Company size is often a deciding factor.

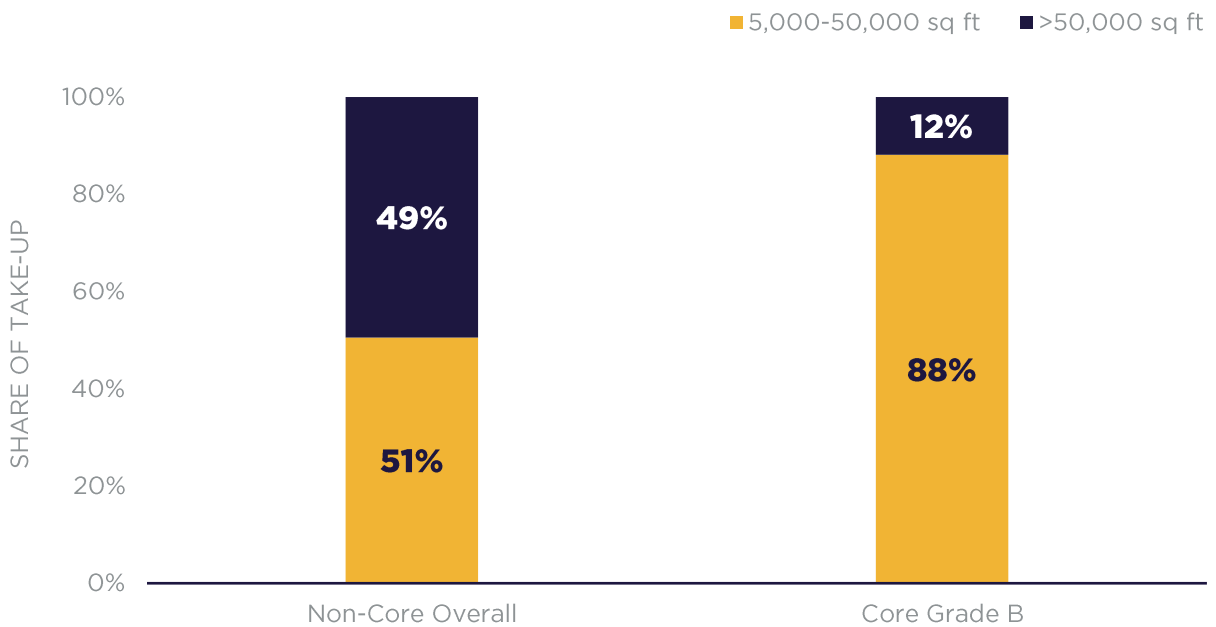
For instance, larger floorplates and buildings available in non-core locations – which are projected to be a rarity in core areas over the next five years – tend to entice larger companies. Additionally, larger companies may also have more gravitas with their current and future employees, meaning that they can be more confident that their brand and culture will be enough to entice staff to add an extra few minutes onto their commute. This is evidenced by leases in excess of 50,000 sq ft accounting for a staggering 49% of non-core take-up between 2005 and 2025.

Conversely, smaller companies tend to favour remaining in core locations, compromising on quality instead. An 88% majority of core Grade B take-up in the last 20 years has been leases between 5,000 and 50,000 sq ft, enacted mainly by SME-sized businesses who are keen to seize the clustering and talent benefits amplified in core areas.

Smaller requirement sizes also mean there are likely to be more options immediately available in core locations. Further, there is a notable trend toward offering secondary core stock as Cat B fitted spaces. This is significant as, while rental values may be significant and rising, it is typically the upfront capital expenditure of fit out costs that is the sticking point for occupiers.

With non-core and Grade B landlords often more willing to provide flexible solutions to ease the fit out cost burden, further bolstering their value proposition relative to core Grade A stock. This is of particular relevance to smaller scale occupiers lacking the time, expertise or capital to fit out the space themselves – but is becoming increasingly popular for medium and larger companies too.

CENTRAL LONDON OFFICE AVERAGE TAKE-UP BY SEGMENT AND SIZEBAND 2005 TO 2025



Source: Cushman & Wakefield, 2026



While both the non-core and core Grade B segments are likely to see an uptick in activity as core Grade A supply shrinks, core activity remains the focus of demand in terms of volume. Over the last 20 years, lower quality stock in the core has claimed 34% of activity when core Grade A supply is below the 1.0 year threshold, compared to 26% for non-core stock. This presents a significant opportunity for secondary stock in core locations amid the supply challenges amounting from the current development cycle.

64

**THE QUALITY
SPECTRUM**

Not all Grade B stock is created equal. Quality is a scale.

It runs from tertiary Grade C space which generally fails to meet the needs of modern occupiers and so has largely fallen out of the market. Above this is Grade B stock, often referred to as good secondhand space. This is typically previously occupied space returning to market, often including sublease supply. In many locations it qualifies as space with air-conditioning, raised floors, suspended ceilings and modern plant with an EPC Grade C or D.

The scale then moves on to Grade A assets which are newly built or recently refurbished to modern occupier standards. This is space which has not typically been previously occupied, offering above average quality in amenity, specification and sustainability with an EPC Grade A or B.

Super Prime, best-in-class space sits at the top of the quality scale, providing the highest levels of amenity, specification and sustainability. This enables it to achieve rents above the current prime benchmark for that locality.

This top end of the market has been the focus of demand, with 70% of take-up being of Grade A quality between 2023 and 2025 – amounting to the three highest years of Grade A market share on record. Additionally, 39% of sq ft transacted over the same period achieved above-prime rents, indicating that the Super Prime segment of the market is claiming a record share.



QUALITY SCALE



SUPER PRIME

Best-In-Class

Flagship developments offering the highest level of amenity and quality. Typically new developments or extensive refurbishments with exceptional level of sustainability and specification, attracting above prime rents.



GRADE A

Newly Built or Refurbished

Set to new standard, including sublet space in new/refurbished buildings (and typically) not previously occupied. Space will be above average for its area. Likely to be EPC A or B.

BEST OF THE REST

Amenity-lite refurbishments: refreshed reception, high quality end-of-trip facilities, improved to EPC B and individual floors



GRADE B

Good Second Hand

Previously occupied space returning to market, often including sublease supply. In many locations it is considered to be space with air-conditioning, raised floors, suspended ceilings and modern plant. Likely to be EPC C or D.



GRADE C

Poor Second Hand

Low quality space which fails to meet the standards expected by modern occupiers in amenity or specification. Likely to be EPC E or below.

QUALITY SCALE

As this space runs out, and rents continue to rise, occupiers are unlikely to become less discerning in their search for space. But what defines value for money is likely to shift.

Rather than out of reach Super Prime stock that offer all the bells and whistles in terms of amenity and specification, occupiers will seek buildings that provide the greatest levels of return on investment in terms of productivity gains, staff retention and staff attraction.

Buildings that meet these requirements at a more affordable price point are likely to sit on the cusp of the boundary between Grade A and Grade B stock. Through studying case study examples within the market, this Grade A- or Grade B+ stock – termed ‘best of the rest’ – is likely to have undergone refurbishment works focusing on smart, strategic spending which offers the highest returns.

Although there is variation between schemes, this typically includes providing a refreshed reception and entrance experience along with high quality end-of-trip facilities and improved sustainability performance to an EPC Grade B.

By targeting these high-yielding works, landlords of these spaces minimise capital expenditure while achieving a sufficient standard for occupiers. For example, improving EPC performance to a Grade B rather than Grade A means that low intensity ‘easy wins’ can often do much of the leg work, avoiding more expensive interventions to get up to the top tier standard. While this may filter out some occupiers, it will meet the requirements of the broad majority who will look to align with the Minimum Energy Efficiency Standard (MEES) of an EPC Grade B, as proposed at the time of writing.

Through this approach, not only are the build costs kept to a minimum, but so too are planning risk and time to market – enabling nimble developers to capitalize on current market opportunities without exposure to the risks of the next cycle. Additionally, these works are able to be carried out without vacant possession of the building, enabling existing tenants to remain in place and increasing the likelihood of lease renewals or regears which help to minimise void periods.



615

**MARKET
CONTEXT**



While the Best of the Rest segment has its challenges like the rest of the market, there are several points of upside.

The liquidity challenges faced for larger lot sizes – driven by the elevated cost of capital, competition between asset classes and structural shifts – are eased for the Best of the Rest segment, with lot sizes typically lower compared to top quality assets. This enables greater ease of entry and exit.

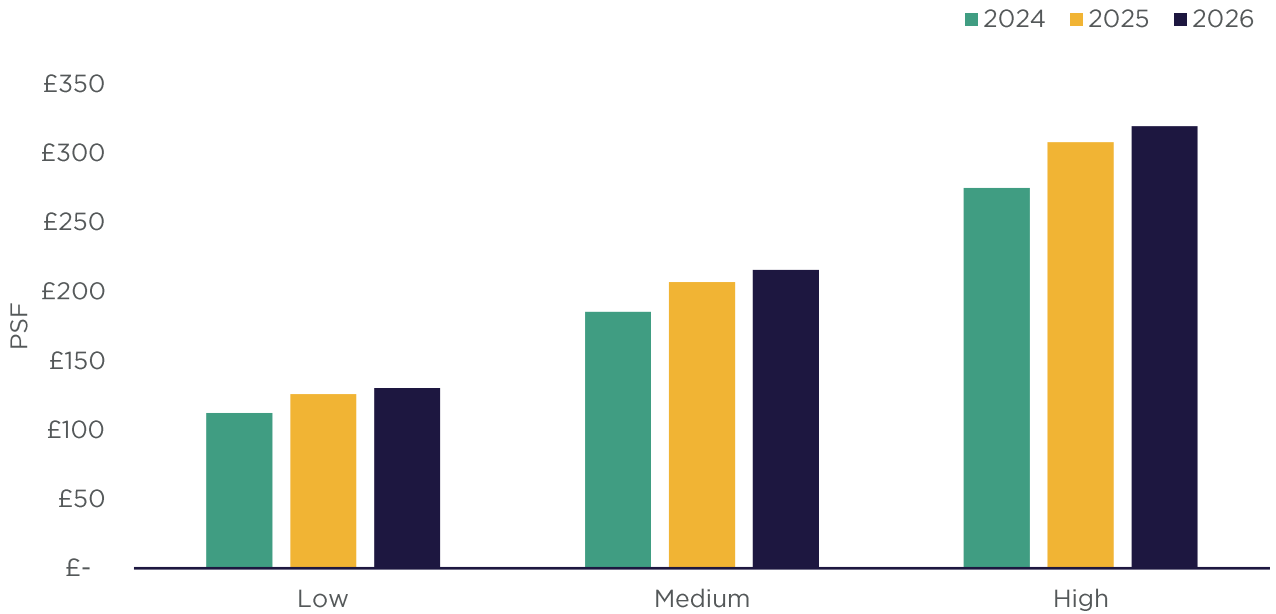
The aforementioned MEES requirements will impact the whole market, often with considerable investment required to get compliant. While not universal, much of the targeted stock for the Best of the Rest segment is likely to be EPC Grade C or D already, meaning that getting up to a Grade B can often be achieved through low intervention works offering strong returns for limited investment.

This is one aspect that enables the Best of the Rest to offer a value proposition for occupiers. Rising rents, service charges and now business rates following the 2026 revaluation, have pushed occupational costs at the top of the market to record highs. While some occupiers will see the value in this for their business, the lower historic rents and lower anticipated increases in business rates in the Best of the Rest segment will be enticing to many.

Elevated levels of regearing and renewals across the market add further weight to this point, particularly when considering fit out costs. According to data from our annual [EMEA Fit Out Cost Guide](#), top specification fit outs in London increased to £320 psf in 2026, up from £308 psf in 2026 and £275 in 2024. Although most acute in London, this 16% increase over two years was broadly mirrored across the Big Five as well.



CENTRAL LONDON OFFICE FIT OUT COSTS BY SPECIFICATION



Source: Cushman & Wakefield, 2026

Combined with elevated occupational costs and avoiding the prospect of paying double overheads on the new and old spaces during the transition, the attraction of staying put has proven strong – provided the existing building meets the necessary standards for staff and sustainability. With Best of the Rest refurbishments offering this, they are able to benefit from occupiers choosing to remain within them, helping to lower voids and minimise occupational risk.



A nighttime cityscape featuring a prominent modern building with a curved, metallic facade. The building has "VICTORIA" and "John Lewis" visible on its side. In the foreground, there is a parking lot with several cars. To the right, a street with a roundabout and traffic lights is visible. The background shows other city buildings with lights.

THE VALUE PROPOSITION

With a departure from the era of cheap capital which characterized real estate investing during the 2010s, future returns from property – including offices – will lean more heavily on operational asset performance rather than market yield compression. This frames the value proposition that the Best of the Rest market segment can provide.

As outlined in *The Quality Spectrum* section, the high impact, targeted refurbishment works aims to control costs without compromising on the factors most important to the majority of occupiers while also minimising time to market. As a broad standard, BCIS data suggests that refurbishment costs are more than 50% below that of building new offices on a per sq ft basis.

Buildings delivering on these key areas in locations with strong transport and amenity offers are expected to see resilient demand from tenants, amplified by the constrained supply of best-in-class space within these localities.

As such, the rental growth and improved occupancy can provide an improvement in the yield of the building, sufficient to achieve an attractive return on the asset even with limited or no compression from the wider market.

Income-driven asset-level yield compression of this kind can therefore offer a route to delivering competitive returns even in a viability-constrained development environment.



67



CONCLUSION

CONCLUSION

The value proposition of the Best of the Rest segment within supply-challenged city centre office markets across the UK is clear.

Dwindling supply and limited development, alongside the strong historic relationship between core Grade B activity and core Grade A activity, indicates demand will spillover into secondary stock that meets the minimum standards of modern occupiers in arrival experience, end-of-trip facilities and sustainability.

Meeting these requirements through smart, strategic spending during refurbishment can boost rents, improve renewals, and lower void periods.

Lowering capital expenditure and delivery times also helps to reduce planning and development risk, enabling landlords to access the opportunities of the current cycle.

Taken with the promising prospect of income-driven, asset-level yield compression within the Best of the Rest segment, there is a robust narrative for investment.



Our intricate understanding of occupier demand and the state of the office market across the UK means we are perfectly positioned to advise on your strategy, evaluate your portfolio and highlight opportunities in the market that are aligned to your return requirements.

Get in touch to talk through how we can apply our expert insight to deliver for you.

CONTACTS



KIRAN PATEL

Head of Office Sector
Research, BDS EMEA

kiran.patel@cushwake.com



DARYL PERRY

Head of Research & Insight,
UK & Ireland

daryl.perry@cushwake.com





ABOUT CUSHMAN & WAKEFIELD

Cushman & Wakefield (NYSE: CWK) is a leading global commercial real estate services firm for occupiers and investors with approximately 53,000 employees in over 350 offices and nearly 60 countries. In 2025, the firm reported revenue of \$10.3 billion across its core service lines of Services, Leasing, Capital markets, and Valuation and other. Built around the belief that *Better never settles*, the firm receives numerous industry and business accolades for its award-winning culture.

For additional information, visit www.cushmanwakefield.com.

Better never settles