

MARKETBEAT REGIONAL & SOUTH EAST OFFICES

Q3 2026

Better never settles

COMPREHENSIVE REFURBISHMENTS FILLING THE GAP LEFT BY LIMITED NEW-BUILD DEVELOPMENT

Q3 saw construction commence on four schemes across the ‘Big Five’ and South East, totalling 441,600 sq ft, all of which were comprehensive refurbishments. Indeed, seven of the eight schemes recorded as starting construction in our national development pipeline were refurbishments, with the sole exception being 31 Wellington Street in Leeds, where development has been supported by loan financing. The project is being developed speculatively by Prescient Capital, supported by a £27 million development loan from BGO, demonstrating continued lender appetite for prime office schemes in supply-constrained markets.

At the close of Q3, 2.8 million sq ft of speculative office space remained under construction across the regional markets, with completion expected by 2028. Approximately 60% of this pipeline comprises comprehensive refurbishments, highlighting the growing importance of repositioning existing stock amid continued viability challenges for new-build development.

The post-pandemic regional office market has been characterised by a ‘development drought’, driven by elevated construction, financing and fit-out costs, alongside occupier uncertainty around hybrid working, the impact of AI on future space requirements, and wider business planning. This has created a supply-demand imbalance, with constrained Grade A availability and sustained occupier demand for prime space driving rental growth.

Several markets across the ‘Big Five’ and South East recorded rental growth in Q3, with Bristol continuing to lead the ‘Big Five’ at £55.00 per sq ft, while Leeds became the latest market to exceed the £50.00 per sq ft benchmark, reaching £52.50 per sq ft. This rental growth has helped narrow development viability gaps, although further rental increases and yield compression remain necessary to support new-build schemes. Developers estimate that rents must approach £60.00 psf to justify ground-up construction, alongside greater investor confidence in viable exit strategies.

Until then, refurbishments will continue to service occupier preferences for high-quality space. Repositioning existing assets is increasingly appealing to landlords, offering faster delivery, lower embodied carbon, and significant cost savings through structural retention and shorter programmes.

From an investment perspective, buyers remain highly selective, targeting assets with repositioning potential and returns that reflect the associated risks. This is evident in recent acquisitions such as One Tony Wilson Place in Manchester (£20 million) and 42 The Headrow in Leeds (£7.25 million). MCR Property Group, which acquired the latter, estimates its gross development value at £37.6 million, providing an illustrative example of the potential for investors to create significant value through refurbishment and repositioning.

However, the health of the investment market remains as critical as rental growth in supporting speculative development. While there are signs of renewed investor interest, particularly in best-in-class assets and repositioning opportunities, this has yet to translate into a sustained recovery in transaction volumes or yield compression.



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OCCUPATIONAL MARKET



Take-up totalled 1.4 million sq ft of office space. This represented a 16% increase on the previous quarter, though it remained 14% below the five-year quarterly average.



Availability increased by 2% - equating to a 10.7% vacancy rate. At present, 2.8 million sq ft remains under construction speculatively.



Rental growth continued across several regional markets in Q3, with Bristol (£55 psf) leading the ‘Big Five’, Leeds increasing to £52.50 and Oxford (£70 psf) setting a new South East benchmark.

INVESTMENT MARKET



Investment volumes across the regional office markets reached £514.2 million, representing a 45% increase on the previous quarter, whilst remaining 38% below the five-year quarterly average..



Prime yields across the South East and Big Five remained unchanged.
The Bank Rate remained at 3.75%.

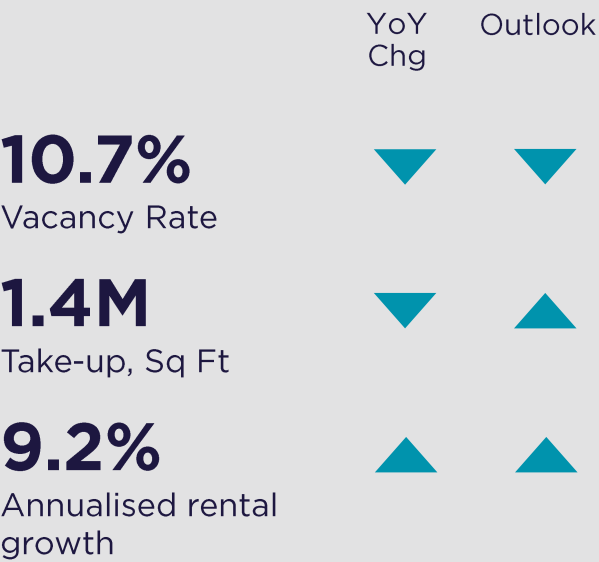
MARKETBEAT

REGIONAL & SOUTH EAST OFFICES

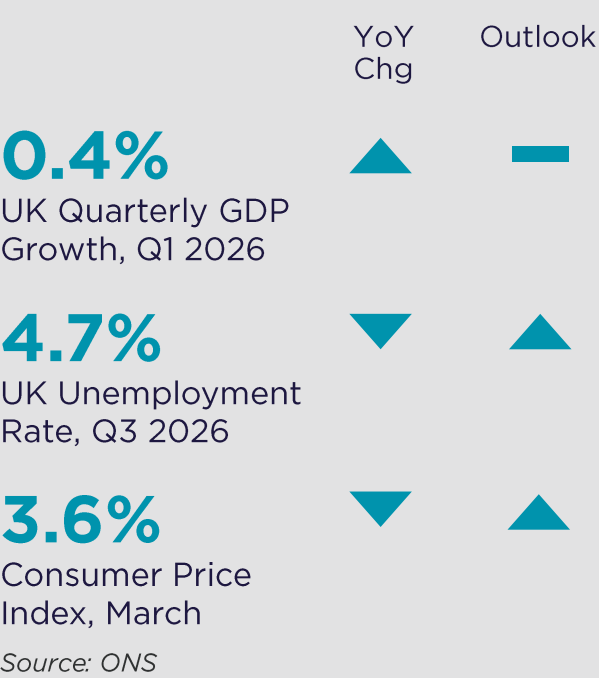
Q3 2026



MARKET FUNDAMENTALS



ECONOMIC INDICATORS



TAKE-UP: LACK OF LARGE-SCALE DEALS BEHIND SLOWDOWN

Office take-up across the 'Big Five' regional markets (Birmingham, Bristol, Edinburgh, Leeds and Manchester) and the South East totalled 1.4 million sq ft in Q3 2026. This represented a 16% increase on the previous quarter and the strongest quarterly performance of the year, though it remained 14% below the five-year quarterly average.

Grade A space totalled 1.0 million sq ft, accounted for 71% of all take-up, increasing by 16% quarter-on-quarter, though lagging 13% below the five-year average.

SUPPLY: 815,000 SQ FT COMPLETED DURING Q3

The availability of office stock increased marginally by 2% in Q3 to 27.8 million sq ft, equating to a vacancy rate of 10.7%. This uptick in supply occurred in part due to the large volume of completions delivered, with completion of 815,000 sq ft of new office space across the 'Big Five' and South East markets during the quarter, though approximately 45% of this space was let before completion.

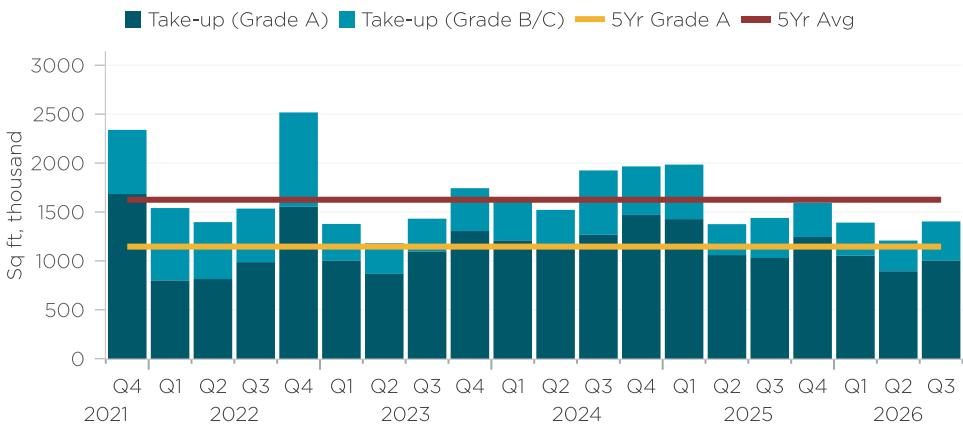
At the end of the quarter, a further 2.8 million sq ft of space remained under construction, with a quarter of this pipeline scheduled to complete in the final quarter of 2026. However, with 17% of this space already let or under offer, just 2.8 million sq ft of speculative supply is expected to be delivered between now and mid-2028.

RENTAL VALUES: GROWTH ACROSS SEVERAL MARKETS

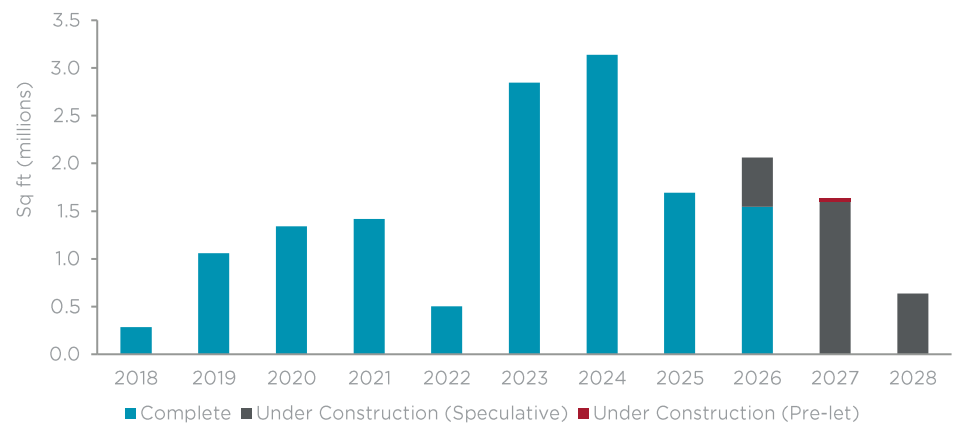
Several markets across the 'Big Five' and South East recorded rental growth in Q3. Bristol continued to lead the 'Big Five' in terms of headline rents rising to £55 psf, whereas Leeds became the latest market to breach the £50 psf benchmark rising to £52.50 psf. A new benchmark was set in the South East, with Oxford now leading in the region at £70 psf.

Deals currently under offer indicate that prime rents are likely to increase in the final quarter of 2026. Continued occupier preference for Grade A space, combined with constrained current supply and a limited future pipeline, is expected to maintain upward pressure on rents.

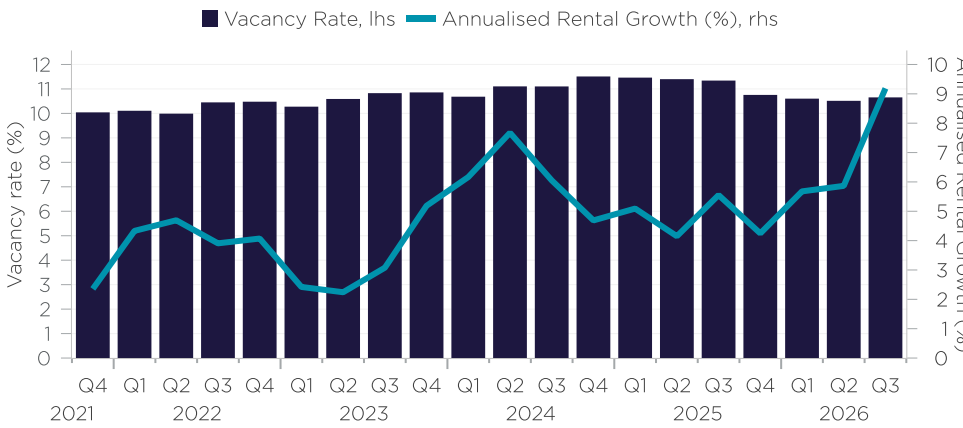
TAKE-UP BY GRADE



DEVELOPMENT PIPELINE



OVERALL VACANCY & RENTAL GROWTH



MARKET FUNDAMENTALS

	YoY Chg	Outlook
5.3% Vacancy Rate	▼	▼
249,715 Take-up, Sq Ft	▲	▲
£52.00 Prime Rent, PSF	▲	▲

KEY DEALS

10 Brindleyplace Solicitors Regulation Authority 54,030 sq ft Grade A Leasehold
Mailbox Chadwick Business Centres 47,170 sq ft Grade B Leasehold
Multistory Bath Spa 25,855 sq ft Grade A Leasehold
3 Snowhill DAC Beachcroft 23,394 sq ft Grade A Leasehold

TAKE-UP: STRONG QUARTERLY TOTAL EXCEEDS H1 TAKE-UP

Take-up in Birmingham city centre totalled 249,715 sq ft across 23 transactions in Q3 2026, more than quadrupling the subdued Q2 total and standing 44% above the five-year quarterly average.

The recovery was driven by a return of medium-to-large transactions, with eight deals exceeding 10,000 sq ft, compared with just one in the previous quarter. The largest saw the Solicitors Regulation Authority lease 54,030 sq ft of Grade A space at 10 Brindleyplace.

Grade A take-up reached 147,818 sq ft, accounting for 60% of the quarterly total and standing 42% above the five-year quarterly average for Grade A space.

SUPPLY: AVAILABILITY DECLINES FOR FOURTH CONSECUTIVE QUARTER

Office availability in Birmingham declined for the fourth consecutive quarter in Q3, falling to 1.05 million sq ft and reducing the overall vacancy rate to 5.3%, its lowest level since 2021. Grade A availability remained particularly constrained, with the vacancy rate holding at a record low of 0.7%.

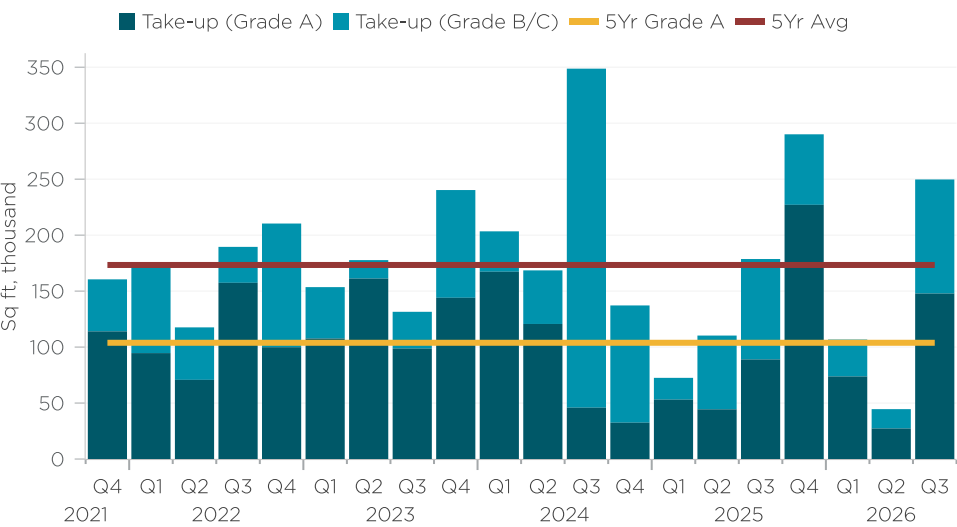
The comprehensive refurbishment of 35 Newhall Street completed during Q3, delivering 55,000 sq ft of Grade A space, although a small proportion had already been let during the construction phase.

A further 356,000 sq ft remains under construction across three schemes. The only new-build development, 1 Beorma Place, is scheduled to deliver 152,000 sq ft in the second half of 2026. The remaining pipeline comprises refurbishments at 90 Colmore Row (32,000 sq ft), due later this year, and Colmore Gate (172,000 sq ft), scheduled for completion in 2027.

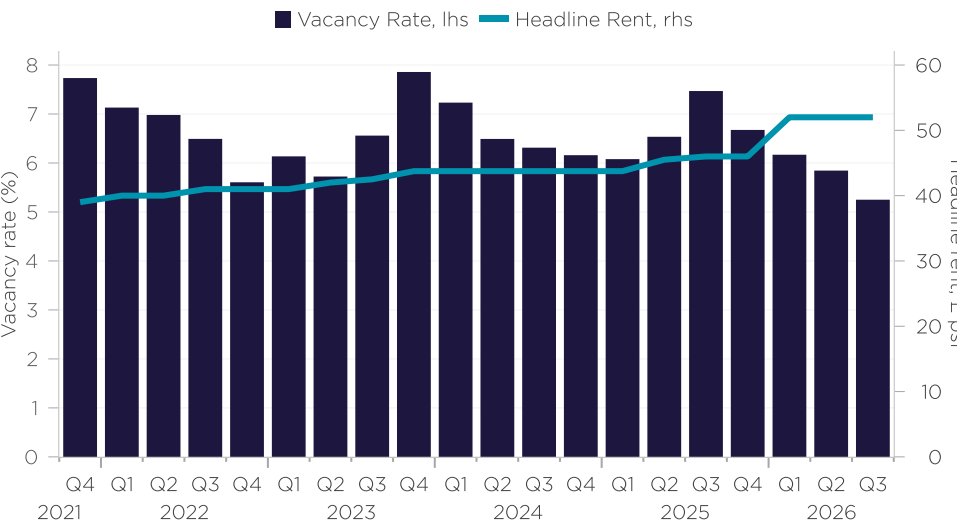
RENTAL VALUES: FURTHER RENTAL GROWTH EXPECTED IN 2027

Prime rents remained stable at £52.00 per sq ft in Q3, representing annual growth of 13%. While we expect rents to remain at this level for the remainder of 2026, record-low Grade A availability and several deals currently under offer suggest further rental growth could emerge in the first half of 2027 as occupiers compete for an increasingly limited supply of best-in-class space.

TAKE UP BY GRADE



VACANCY & PRIME RENTS



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MARKET FUNDAMENTALS

	YoY Chg	Outlook
7.0% Vacancy Rate	▼	▼
144,914 Take-up, Sq Ft	▼	—
£55.00 Prime Rent, PSF	▲	▲

KEY DEALS

Queens Quay
Arden University
30,274 sq ft
Grade A

Welcome Building
Hargreaves Lansdown
26,303 sq ft
Grade A

Armada House
Patch Places
14,174 sq ft
Grade B

The Paintworks
Scott Aerospace
6,640 sq ft
Grade B

DEMAND: TAKE-UP ABOVE FIVE-YEAR AVERAGE FOR OVER A YEAR

Reported take-up in Bristol’s city centre office market totalled 144,914 sq ft in Q3 2026. This was 6% higher than in the previous quarter and 4% above the five-year quarterly average. Take-up has now exceeded the five-year average for five consecutive quarters, which highlights sustained occupier demand in Bristol.

Grade A space accounted for only six of the 28 transactions completed during the quarter. Grade A take-up totalled 70,488 sq ft, equivalent to 49% of overall activity. However, this included the quarter’s two largest deals: Arden University took 30,274 sq ft at Queens Quay, while Hargreaves Lansdown expanded its footprint at the Welcome Building by 26,303 sq ft.

SUPPLY: AVAILABLE SUPPLY STABLE DURING Q3

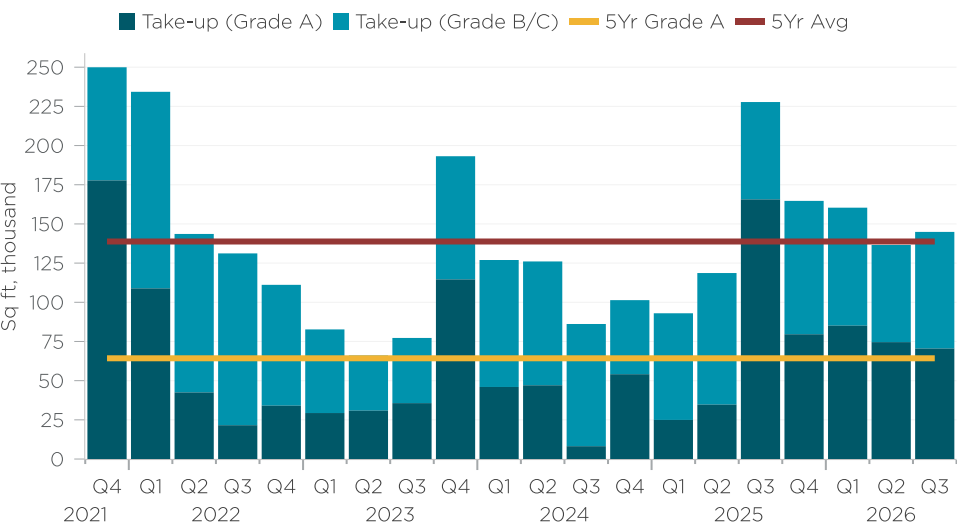
Available office supply remained broadly stable in Q3, declining by 1% to 1.05 million sq ft. This reduced the overall vacancy rate slightly to 7.0%. Grade A supply remains particularly constrained, with the vacancy rate standing at just 1.9%. At 282,508 sq ft, Grade A availability is now at its lowest level since Q3 2024.

The development pipeline remains limited, with just two schemes under construction, totalling approximately 210,000 sq ft. The 60,000 sq ft refurbishment at One Friary is scheduled for completion by the end of 2026, while construction is now underway at Portwall Place, which will deliver a further 150,000 sq ft of prime space in 2027.

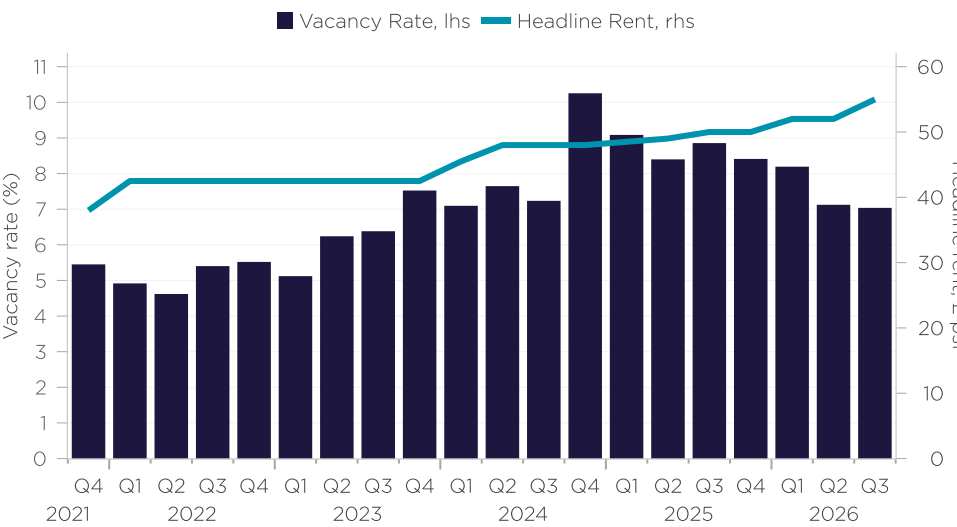
RENTAL VALUES: PRIME RENTS RISE TO £55.00 PSF

Prime rents increased to £55.00 per sq ft in Q3, driven by the Hargreaves Lansdown letting, representing annual growth of 10%. With only two prime schemes under construction and Grade A supply constrained, further rental growth is expected during the remainder of 2026. Deals currently under offer could establish new rental benchmarks in the final quarter.

TAKE UP BY GRADE



VACANCY & PRIME RENTS



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MARKET FUNDAMENTALS

	YoY Chg	Outlook
8.7% Vacancy Rate	▲	▼
88,837 Take-up, Sq Ft	▲	▲
£49.50 Prime Rent, PSF	▲	▲

KEY DEALS

George House, 126 George Street The Secretary of State for Housing Communities & Local Government 19,319 sq ft Grade B Leasehold
Quay 1, Fountainbridge Flexitricity 7,513 sq ft Grade A Leasehold
Haymarket, Haymarket Square EY 6,997 sq ft Grade A Leasehold
Lochrin Square Buro Happold Ltd 6,940 sq ft Grade A Assignment

TAKE-UP: LIMITED GRADE A ACTIVITY WEIGHTS ON TAKE-UP

Take-up in Edinburgh’s city centre office market totalled 88,837 sq ft across 24 transactions in Q3, representing a 2% increase on the previous quarter, though remaining 32% below the five-year quarterly average.

Grade A take-up accounted for 35% of the quarterly total, with 31,191 sq ft transacted across five deals, remaining 50% below the five-year quarterly average for Grade A space. The largest transaction of the quarter instead involved the Secretary of State for Housing, Communities & Local Government taking 19,319 sq ft at George House.

Despite a healthy pipeline of requirements, subdued leasing activity reflects the limited availability of high-quality space and extended occupier decision-making timescales, rather than a lack of demand.

SUPPLY: REFURBISHMENTS SET TO EASE GRADE A CONSTRAINTS

Office availability in Edinburgh city centre declined by 6% to 775,615 sq ft in Q3, marking a third consecutive quarterly decrease and reducing the overall vacancy rate to 8.7%. Grade A availability also tightened, falling 4% to 179,409 sq ft, with the vacancy rate standing at just 2.1%.

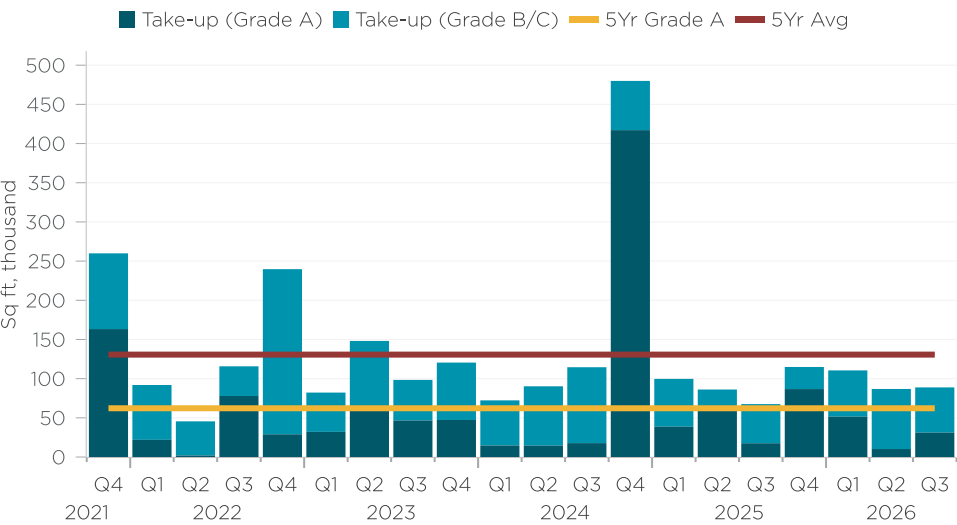
While viability challenges continue to constrain new-build development, comprehensive refurbishments will deliver additional Grade A space. The Cube is scheduled to deliver 62,000 sq ft in Q1 2027, while Exchange Place 2 will provide a further 58,000 sq ft in 2027. In addition, refurbishment works on the 47,000 sq ft Calton Square scheme are expected to commence in Q4, with completion scheduled for Q4 2027.

Together, these schemes will help ease Grade A supply constraints, and offer compelling opportunities for occupiers of scale.

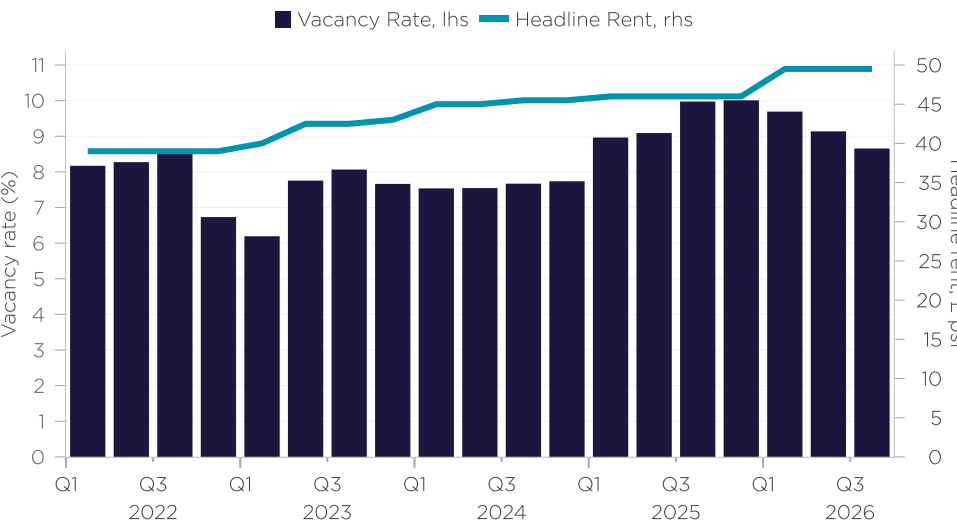
RENTAL VALUES: RENTAL GROWTH TO PERSIST INTO 2027

Prime rents in Edinburgh city centre remained stable at £49.50 per sq ft in Q3, marking a second consecutive quarter at this level. However, deals currently under offer suggest this benchmark will be surpassed in Q4, with prime rents expected to exceed £50.00 per sq ft by the end of the year.

TAKE UP BY GRADE



VACANCY & PRIME RENTS



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MARKET FUNDAMENTALS

	YoY Chg	Outlook
8.5% Vacancy Rate	▼	▼
138,210 Take-up, Sq Ft	▲	▲
£52.50 Prime Rent, PSF	▲	▲

KEY DEALS

Capitol House Bank of England £Conf 48,750 sq ft Grade A
No. 1 Whitehall Riverside Homes & Communities Agency £30.00 9,807 sq ft Grade A
34 Boar Lane Arbor Education Partners Limited £40.00 9,674 sq ft Grade A
Royal House CGP MEP Ltd £15.00 7,832 sq ft Grade A

TAKE-UP: BANK OF ENGLAND DEAL SUPPORTS SUBDUED QUARTER

The Leeds city centre office market recorded 138,210 sq ft of take-up in Q3 2026, representing a 23% decline on the previous quarter and remaining 10% below the five-year quarterly average.

Activity was supported by the Bank of England’s 48,750 sq ft lease of Grade A space at Capitol House, which accounted for over a third of quarterly take-up. Beyond this transaction, activity was constrained by a lack of medium-to-large size deals, with no other deals exceeding 10,000 sq ft.

Grade A take-up totalled 107,251 sq ft, accounting for 78% of all space leased and 18 of the 30 transactions completed during the quarter. Despite the overall slowdown, Grade A leasing remained resilient, standing 23% above the five-year quarterly average.

SUPPLY: SUPPLY CONSTRAINTS SET TO EASE IN 2027

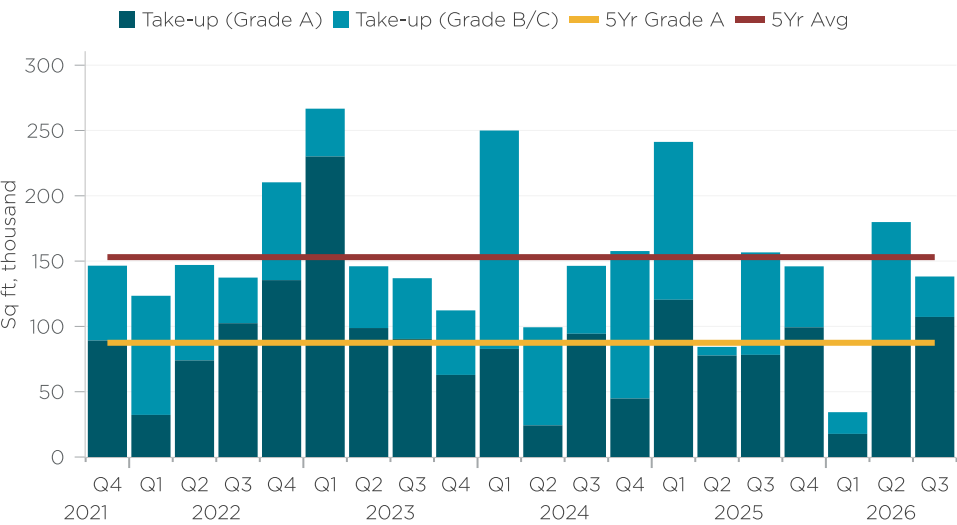
At the close of Q3, office availability in Leeds city centre stood at 1.2 million sq ft, equating to a vacancy rate of 8.5%. The decline in supply was driven by an 8% quarterly reduction in second-hand availability. Grade A availability remained particularly constrained at 187,295 sq ft, with a vacancy rate of just 1.4%.

Approximately 350,000 sq ft of available office space is currently under construction. The only new-build scheme, 31 Wellington Street, is scheduled to deliver 77,000 sq ft in summer 2027, with 14,300 sq ft already let to DAC Beachcroft. The remaining pipeline comprises comprehensive refurbishments due in 2027, including Princes Exchange, where Network Rail plans to occupy a fifth of the space and sublet the remaining 81,000 sq ft, alongside 2 Wellington Place (119,000 sq ft) and Bank House (83,000 sq ft). Together, these schemes should help ease Grade A supply constraints.

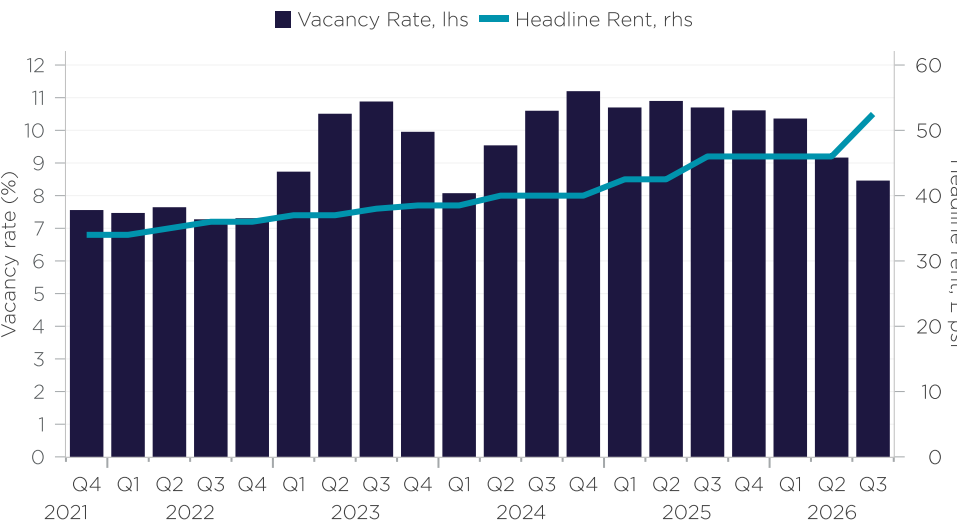
RENTAL VALUES: PRIME RENTS SOAR TO £52.50

Leeds became the latest ‘Big Five’ regional market to exceed the £50.00 per sq ft benchmark in Q3, with prime rents rising to £52.50 per sq ft, representing annual growth of 14.1%. While we expect rents to remain at this level for the remainder of 2026, quoting rents on prime space indicate that further rental growth could follow in 2027.

TAKE UP BY GRADE



VACANCY & PRIME RENTS



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MARKET FUNDAMENTALS

	YoY Chg	Outlook
10.4% Vacancy Rate	▼	▼
151,351 Take-up, Sq Ft	▼	▲
£48.00 Prime Rent, PSF	▲	▲

KEY DEALS

No.3 Circle Square Dechra Pharmaceuticals £48.00 14,331 sq ft Grade A
Lee House Deliveroo £31.00 21,432 sq ft Grade B
Broadhurst Deliveroo £32.00 14,472 sq ft Grade A
Eden Leonard Curtis £37.00 10,339 sq ft Grade A

TAKE-UP: LOWEST QUARTERLY TOTAL POST-COVID

Manchester city centre recorded 151,351 sq ft of office take-up in Q3, representing a 18% decline on the previous quarter, remaining 44% below the five-year quarterly average, and the lowest quarterly total since 2020.

The slowdown in activity this quarter can largely be attributed to the lack of large-scale deals, with only four of the 49 deals recorded in Q3 exceeding 10,000 sq ft.

Grade A leasing also softened to a post-COVID low, with the 78,508 sq ft transacted measuring 58% below the five-year quarterly average, only accounting for 52% of all quarterly take-up.

SUPPLY: PIPELINE SET TO EASE CONSTRAINED GRADE A SUPPLY

At the close of Q3, office availability in Manchester city centre stood at 2.5 million sq ft, equating to an overall vacancy rate of 9.3%. Grade A availability remained particularly constrained, with the vacancy rate standing at just 3.3%, highlighting the continued shortage of best-in-class space.

Looking ahead, 857,152 sq ft remains under construction, with the final schemes in the current development cycle expected to complete between mid-2027 and early 2028. This includes the 243,000 sq ft new-build scheme at Republic within the Mayfield development, 76,568 sq ft at No.2 St Michael's and three comprehensive refurbishments.

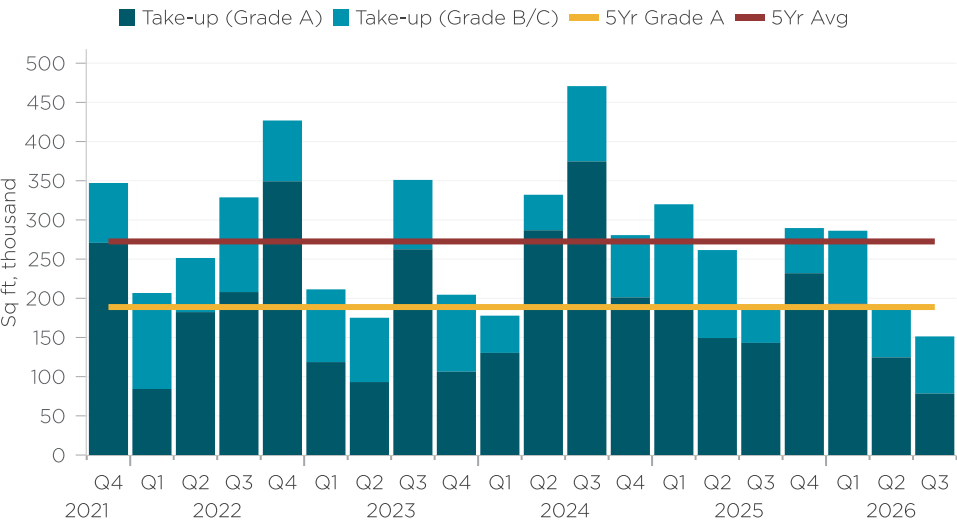
Among these is 1 Tony Wilson Place, which was acquired for £34 million earlier this year and is scheduled to deliver approximately 167,000 sq ft in mid-2027.

RENTAL VALUES: PRIME RENTS POISED FOR GROWTH IN 2027

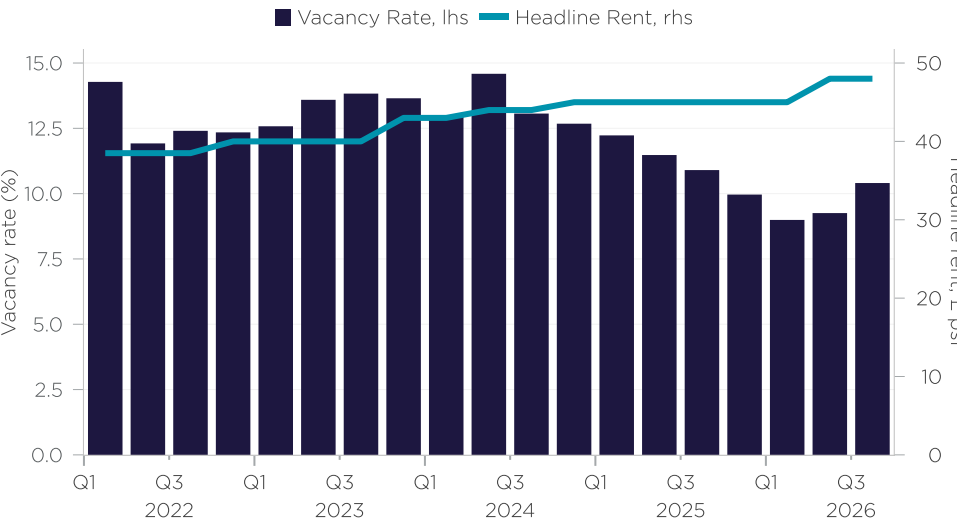
Prime rents in Manchester remained stable at £48.00 per sq ft in Q3, following an increase in Q2 and representing annual growth of 6.7%.

While we do not expect this benchmark to be exceeded in the final quarter of 2026, quoting rents and market intelligence around deals currently under offer point to a more significant increase in 2027, with prime rents expected to sizeably exceed £50.00 per sq ft.

TAKE UP BY GRADE



VACANCY & PRIME RENTS



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MARKET FUNDAMENTALS

	YoY Chg	Outlook
£514.2m Investment volumes	▼	▲
6.75% Prime reg. office yield	—	—
3.75% Bank Rate, Q3 2026	▼	▲

KEY DEALS

Systems, Hammersmith Buyer: JD.com Seller: BlueFive Private Wealth £90.0m, N/A 127,000 sq ft
Lakeshore, Heathrow Buyer: Greycoat Seller: Frasers £75.0m, 13.9% 271,153 sq ft
Two Snowhill, Birmingham Buyer: Forma Real Estate & Patron Capital Seller: M&G Real Estate £73.0m, 10.8% 320,000 sq ft
Lewis Building & Priory Court, Birmingham Buyer: Martley Capital Seller: Gulf Islamic Investments £60.0m, 11.6% 257,000 sq ft

INVESTMENT VOLUMES: SOUTH EAST LEADS INCREASE IN VOLUMES

Investment volumes across the regional office markets reached £514.2 million in Q3 2026, representing a 45% increase on the previous quarter, although remaining 38% below the five-year quarterly average.

Activity across the South East rebounded, with £341.2 million transacted, up 130% quarter-on-quarter, largely driven by JD.com’s owner-occupier acquisition of Systems in Hammersmith.

In contrast, investment volumes across the ‘Big Five’ softened, despite several significant transactions in Birmingham, including Two Snowhill (£73 million), the Lewis Building and Priory Court (£60 million combined). Elsewhere, activity remained subdued. Manchester recorded £30.0 million across four transactions, while Leeds (£7.25 million) and Edinburgh (£2.8 million) each recorded a single deal. No transactions completed in Bristol, although the exchange of 1 Georges Square in September is expected to support Q4 volumes.

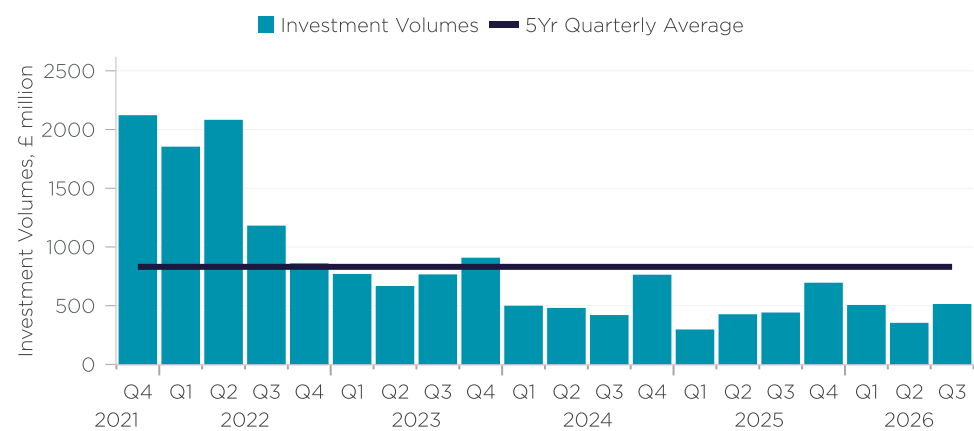
YIELDS: STABLE PRICING AMID IMPROVING INVESTOR SENTIMENT

Prime yields across the South East and ‘Big Five’ regional office markets remained largely unchanged in Q3 2026, with Edinburgh the only market to record outward movement. Prime yields in Edinburgh softened by 25 basis points to 6.75%, reflecting a lack of transactional evidence to support the market’s previous yield premium over other prime regional office markets.

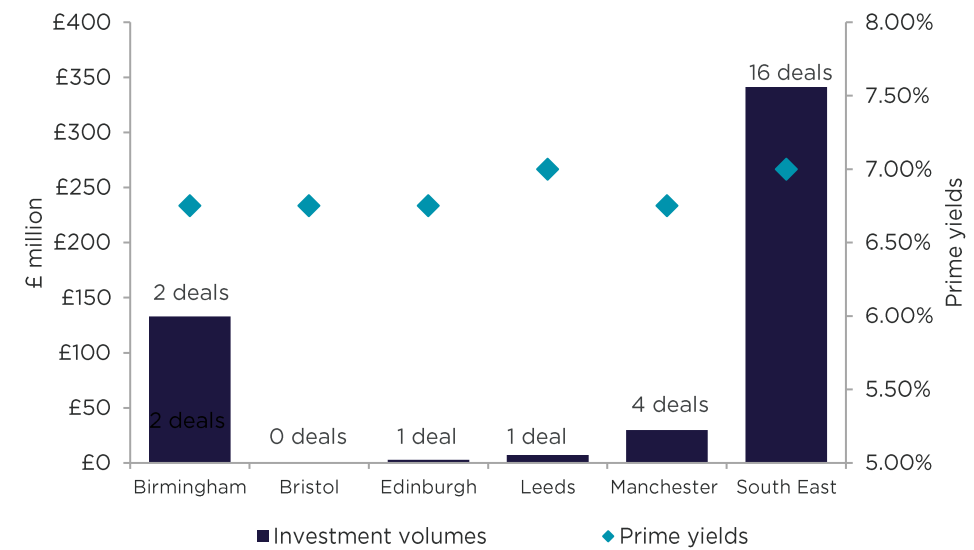
Bank Rate remained at 3.75% throughout Q3, despite continued geopolitical uncertainty and volatility in global energy prices. At its September meeting, the Bank of England voted 6–3 to hold rates. While higher energy costs have so far had a limited impact on domestic price and wage setting, the Bank indicated that further monetary tightening may be necessary if inflationary pressures persist.

Despite investment volumes remaining below historical averages, there are signs of renewed investor interest in the regional office sector. Continued rental growth and reversionary potential for best-in-class assets provide a compelling investment rationale, despite wider market headwinds. This is reflected in 3 Chamberlain Square going under offer early in Q4, while appetite for repositioning opportunities continues to strengthen. However, limited investment stock and prolonged transaction timescales could constrain the recovery heading into 2027.

INVESTMENT VOLUMES



INVESTMENT VOLUMES & PRIME YIELDS BY REGION



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MARKETBEAT

REGIONAL & SOUTH

EAST OFFICES

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