PRIMED FOR GROWTH

REGIONAL OFFICES
2025/26 REPORT

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PETER MUSGROVE
Head of Regional Offices

Welcome to our 2025/26 Regional Office Market Report

Though 2026 promises to be another fragile year for the UK economy and business confidence, positive fundamentals in the UK's regional office markets point to significant opportunity to capture growth and restore value.

The regional office markets have shown resilience over 2025, particularly so considering the challenging, uncertain economic backdrop occupiers have faced. Q3 saw a welcome return of larger-scale corporate deals and, with more expected in the final quarter, Q4 take-up will move back above the five-year trend.

It's also encouraging to see expansions playing an even stronger role in driving activity than previously, especially in professional services. Having had time to reflect on their requirements, many occupiers are now choosing to take space to accommodate rising staff attendance and, in some cases, those that cut hard after the pandemic are coming back to the market for more.

While prime space isn't for every occupier, its relative scarcity has been a key driver of change. Rental growth over the past year or so has been nothing short of spectacular in the core regional markets. And, given subdued developer appetite and a correspondingly limited pipeline, rents are set to remain under upward pressure into 2026.

The clear disconnect between the occupier and investment markets persists, but investors are starting to recognise both the relative value and opportunity offered by regional offices. In core locations, a key area of opportunity is the refurbishment of ostensibly modern buildings to a high-quality standard. Without the burden of substantial capex and benefitting from typically shorter timescales, these buildings can exploit the lack of prime options and have the potential to capture significant growth.

2025 has brought positive developments here at Lambert Smith Hampton. Our strategic partnerships with SHW in the South East and Ryden in Scotland have further enhanced our expertise across the length and breadth of UK, with our services in the office sector spanning capital markets, leasing, development consultancy, building consultancy, ratings and property management.

We hope our report is of interest. If you'd like to discuss any of the issues raised, please feel free to get in contact with myself or one of our local experts.

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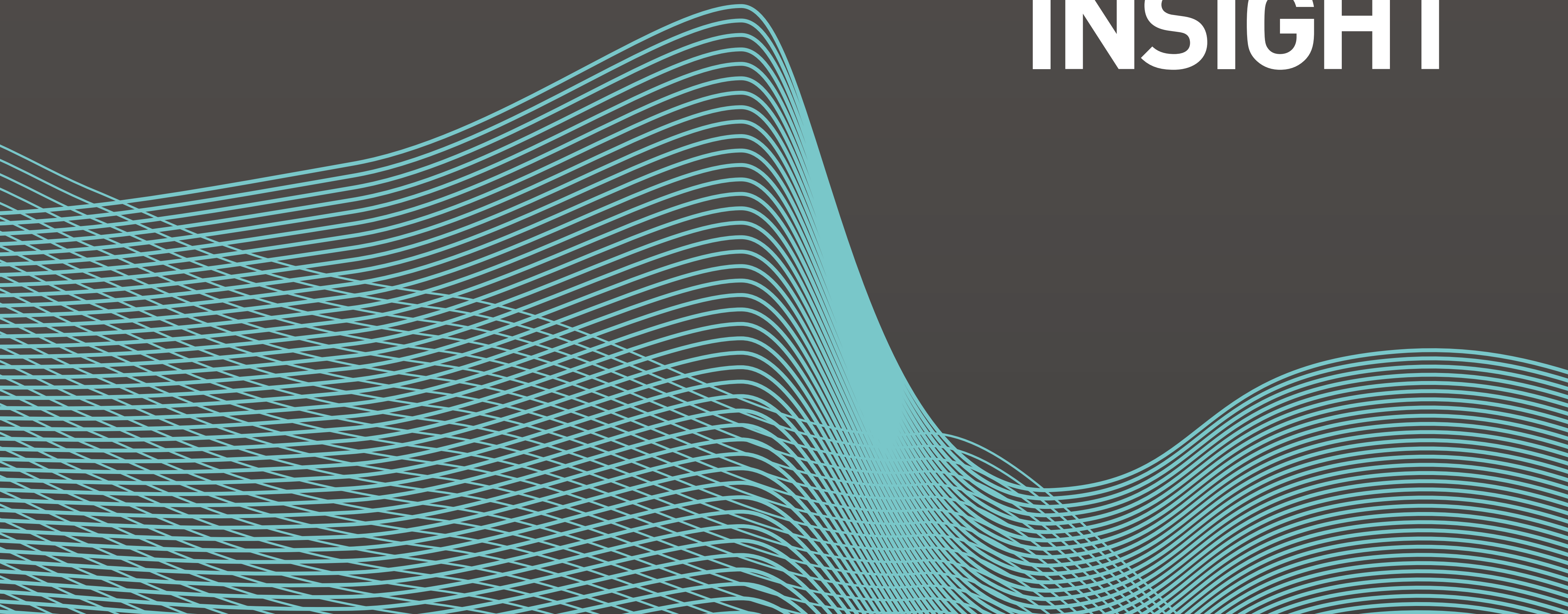
REGIONAL INSIGHT



OCCUPIER MARKET OVERVIEW

RENTAL RECORDS

While the economic environment has been challenging, a focus of corporate demand towards a limited pool of best-in-class buildings is driving rents to levels that were almost unthinkable a few years ago.

RESILIENCE AMIDST TOUGH CONDITIONS

Overall, the UK's regional office markets have shown a degree of resilience amid a challenging and uncertain economic backdrop over 2025. Q2 was a notably subdued quarter, with take-up slumping to a five-year low in the wake of the tariff policy chaos initiated by the Trump administration, before recovering slightly in Q3, with the quarter's standout deal being Hargreaves Lansdown's (90,362 sq ft) lease at the Welcome Building, Bristol.

Size-wise, the main drag on take-up in 2025 to Q3 has, unusually, been in the medium bracket of the demand profile, most notably in the 5,000 to 9,999 sq ft category, where take-up was 14% below the five-year trend over the period. Meanwhile, activity in the smallest (<2,000 sq ft) and largest categories (>20,000 sq ft) has held up better, with take-up running at 2% below trend in both over 2025 to Q3.

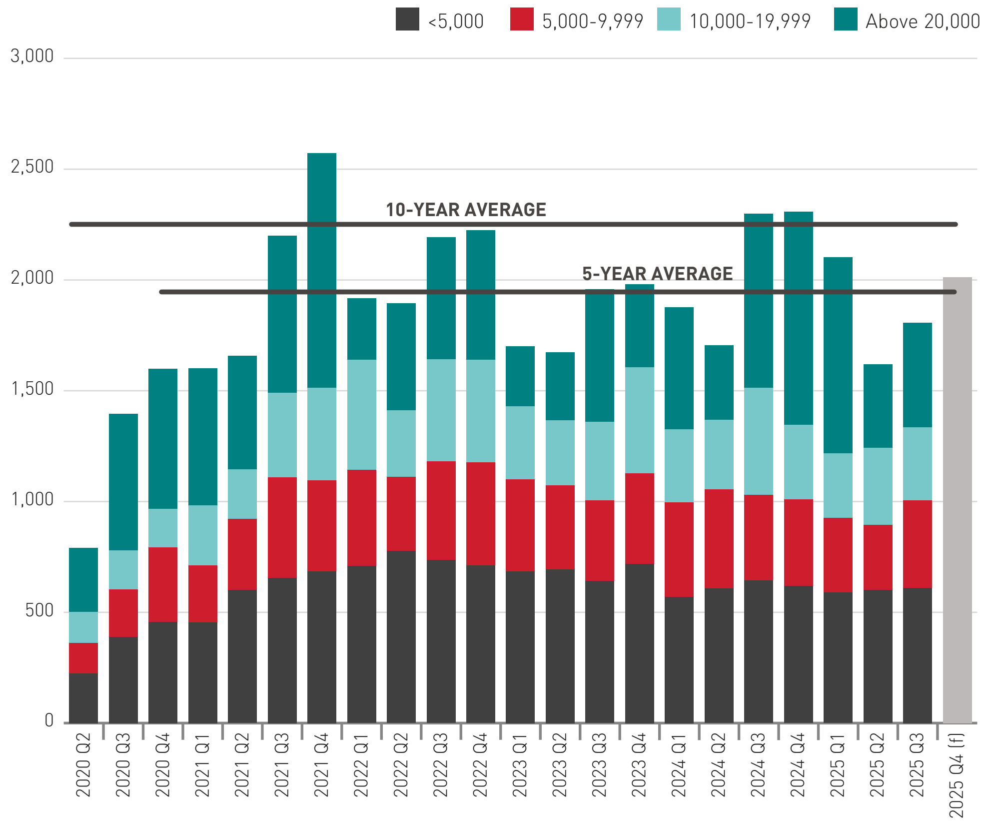
Despite continuing sluggish economic conditions and nervousness around the government's November Budget, Q4 could potentially be the strongest quarter of 2025. Space under offer and expected to transact in Q4 amounts to c. 2.0m sq ft, marginally below Q1's robust out-turn and characterised by a flurry of large-scale deals in Birmingham city centre. This expected out-turn would push annual take-up to 7.6m sq ft in 2025, down 8% on 2024 and only 4% below the 5-year annual average.

FLIGHT TO QUALITY BUILDS

Flight to quality remains a key trend in occupier demand. Across the 15 regional cities, grade A space accounted for 46% of take-up over 2025 to Q3, edging up from 45% in 2024 and comparing with a 38% share over the five years prior to the pandemic. Aggressive take-up of best-in-class schemes continues to stand out, with prime quality space making up a notable 13% of 2025 YTD take-up and comparing with 15% in 2024. This has been especially in prominent in Bristol this year, where 30% of its 2025 YTD take-up was seen across four prime-defined buildings.

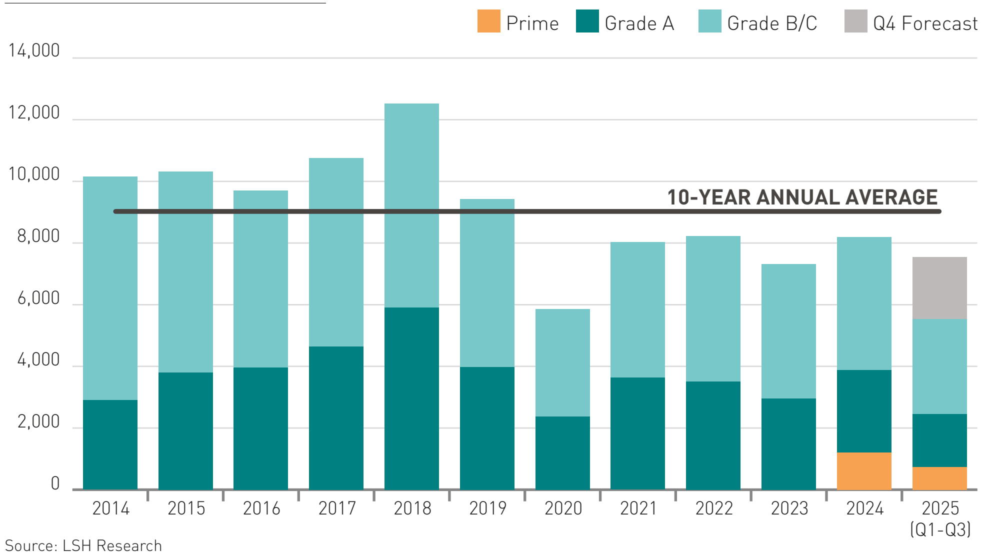
While 2024 saw a strong focus of demand in the Big Six markets and within CBD areas, their dominance was less apparent in 2025. Out of town take-up has accounted for 30% of take-up over the first three

TAKE-UP BY SIZE (000 SQ FT)



Source: LSH Research

TAKE-UP BY GRADE (000 SQ FT)



Source: LSH Research

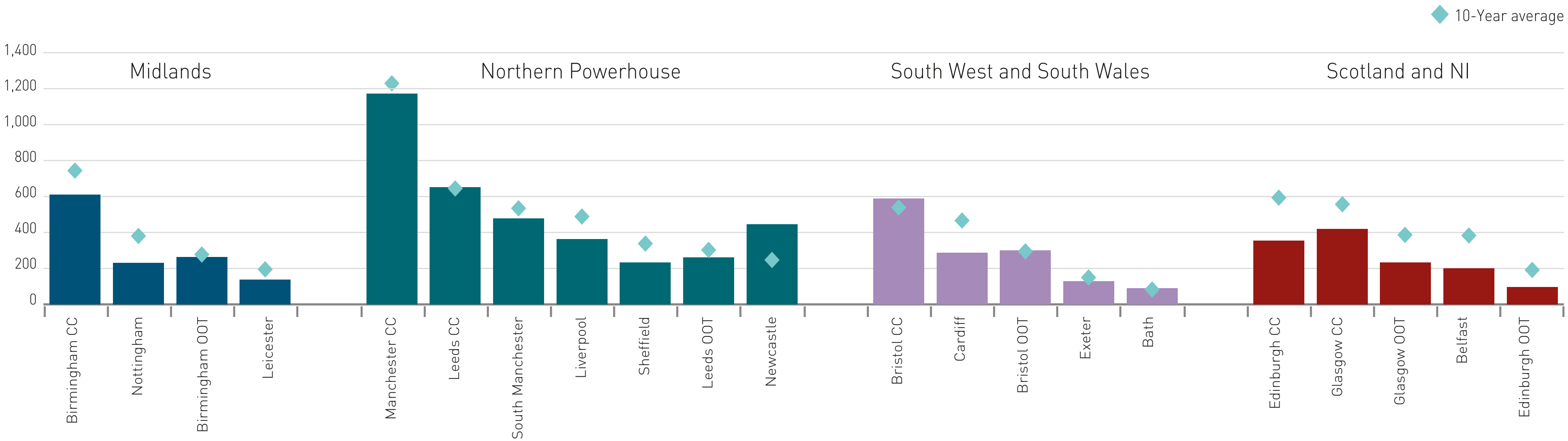
quarters of 2025, in line with the long-run average and improving from a record low 26% share in 2024. 2025 marked the reappearance of large-scale out-of-town deals, most notably in Bristol, with EDF (78,284 sq ft) and Rolls Royce (87,648 sq ft) behind two the 2025's largest deals in Q1 and Q2 respectively.

NEWCASTLE THE GOVERNOR

Beneath the macro trends, some markets have performed significantly better than others in 2025. Including forecast take-up for Q4, five markets are set to see overall take-up run ahead of their respective long run averages in 2025. Newcastle city centre is the only market that really stands out, where 2025 take-up is on course to stand 80% above average, underpinned by the largest regional office deal of the year, DWP's 173,245 sq ft lease at No.1 Pilgrim Place, in Q1. Other above trend markets for 2025 comprise Bristol city centre (+9%), Bath (+9%), Leeds city centre (+1%) and Bristol out of town (+2%).

On the flipside, Edinburgh city centre, Edinburgh out of town and Belfast are all are expected to see annual take-up fall at least 40% short of their respective annual averages, while Birmingham city centre is expected to see it lowest annual take-up since the pandemic-afflicted year of 2020. However, the reasons are nuanced. Birmingham has mostly suffered in the fringes with strong demand seen in the prime core, while Edinburgh has suffered from a chronic shortage of high-quality options to stimulate activity.

FORECASTED 2025 TAKE-UP VS 10-YEAR AVERAGE (000 SQ FT)



Source: LSH Research

STAYING PROFESSIONAL

For a third successive year, Professional Services took the largest share of regional take-up over 2025, accounting for 24% of the total. This leading share was mostly thanks to prominent deals earlier in the year in Q1, such as those involving Pinsent Masons in Glasgow (31,724 sq ft) and Eversheds in Leeds (47,016 sq ft). The Public Sector, Education, Not-for-profit sector retained its place with the second highest share of take-up, albeit its share dropped from 18% in 2024 to 15% in 2025.

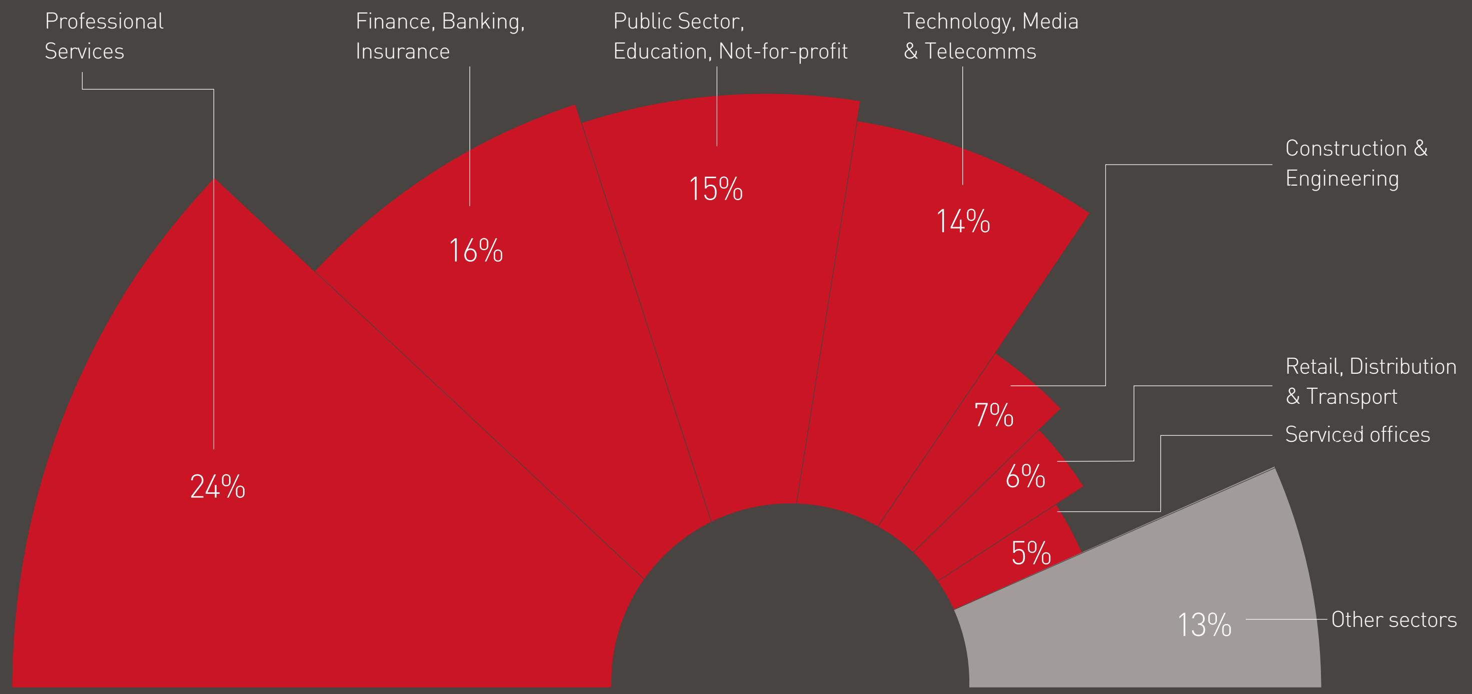
EXPANSIONS DOMINATE ONCE AGAIN

A striking change in the market during 2025 is the share of take-up taken by expansionary moves. In spaces above 5,000 sq ft, expansions made up 59% of take-up over the year to Q3, rising from 49% over the previous 12 months. This positive picture partly reflects activity from serviced office providers, which is entirely logged as expansion, alongside increasing instances of occupiers that cut space sharply in the immediate wake of the pandemic and are now seeking more space to cater for rising staff attendance. Conversely, consolidatory moves accounted for only 18% of take-up over the period, with the balance of 24% made of broadly unchanged levels of space-take from relocations.

SUPPLY ON THE INCREASE

Following four consecutive annual increases, overall supply across the 15 centres combined has edged down by 1% from the 10-year high seen at the end of 2024. Reflecting flight to quality and slowing development, the overall decrease was primarily driven by grade A supply, which has fallen by 3% since the start of the year (inclusive of schemes completing

TAKE-UP BY SECTOR (YEAR TO Q3 2025) %



Source: LSH Research

within six months), while grade B/C has fallen by a marginal 1% over the period.

While grade A supply remains elevated in its historic context, a healthy choice of quality options is arguably key to driving future activity, given occupiers' flight to quality and increasingly stringent standards on energy performance. Additionally, a clear separation between 'conventional' grade A space and the new generation of prime buildings is now apparent, and it is in this area that large-scale corporate demand has become focused. Despite accounting for 13% of YTD take-up, total availability of prime space amounts to only 1.1m sq ft across eight of the 15 markets, representing only 5% of total supply and falling from a 9% share two years ago.

MARKED SUPPLY CONTRASTS

Against a backdrop of elevated overall supply, significant variations are evident between markets. Supply in the city centre markets is typically much tighter than it is out of town, with supply equivalent to an average of 2.8 years and 3.6 years of average annual take-up respectively.

Edinburgh city centre is the most tightly supplied regional market, with availability equating to only 1.8 years of average annual take-up and currently devoid of any prime options. At the other end of the spectrum, supply is most abundant in Edinburgh out of town (5.1 years) and Belfast (5.3 years), which is the only market grappling with both high overall supply and an elevated share of grade A availability, which makes up 83% of the total.

DEVELOPMENT PICKS UP

Development appetite remains relatively muted, reflecting a cocktail of high build costs, elevated cost of finance, fears over voids and ongoing investor uncertainty over exit yields. At the end of Q3, total speculative development under construction (net of pre-lets) across

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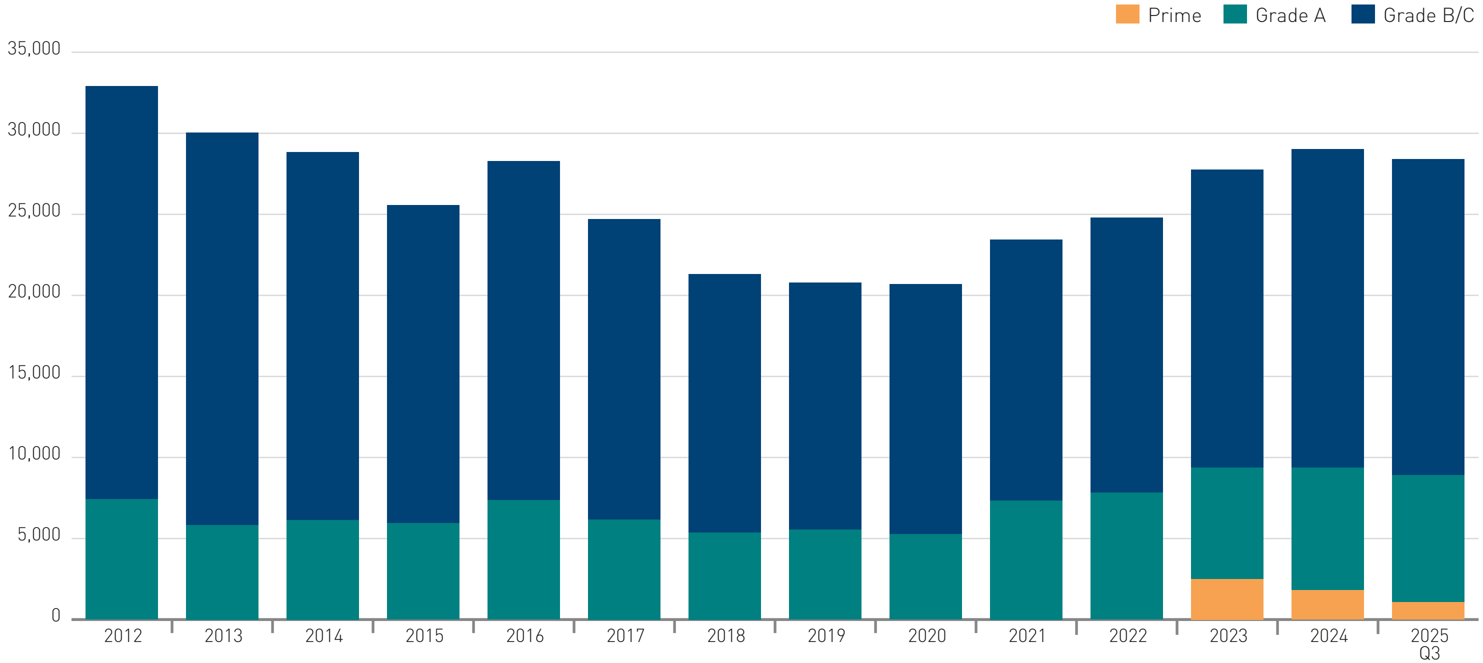
AVAILABILITY BY GRADE (000 SQ FT)



Source: LSH Research

the regional markets stood at 2.3m sq ft, up 27% on the 12-year low seen at the start of 2025 and boosted by two major development starts in Manchester city centre during Q3.

Limited speculative development is also linked to the aggressive take-up of new schemes, many of which have substantially let-up during construction. Notable recent examples include 3 Circle Square, Manchester, which saw 60% of its total 270,000 sq ft let during construction, and Three Chamberlain Square, Birmingham, which is entirely spoken for as it nears completion.

Inclusive of both new build schemes and major refurbishments, speculative development remains overwhelmingly concentrated within the Big Six city centre markets, accounting for 75% of the total at time of writing. Manchester city centre has by a distance the largest quantum of space under construction of any market, with 1.1 sq ft under construction (of which 18% is pre-let) and substantially boosted by the commencement on site of Rylands (c.300,000 sq ft) and The Alberton (219,000 sq ft) in Q3. At least one scheme is underway in eight of the 15 centres, reducing from 13 year-on-year.

However, as things stand, very little development is currently deemed likely to commence on site in 2026. Total anticipated speculative development starts next year amount to only 589,000 sq ft, of which only 32% is new-build across two schemes, the largest of which is 9 Wellington Place, Leeds (114,000 sq ft). The largest proposed scheme overall is the comprehensive refurbishment Cannons Wharf, Bristol (180,000 sq ft).

PAYING FOR PRIME

The delivery of a limited pool of high calibre buildings, and occupiers' willingness to pay a premium for the very best space, continues to drive strong rental growth. Including the forecast for Q4, prime headline rents are on course to increase by 8.2% on average across the 15 key regional city centre markets in 2025, accelerating from 4.0% in 2024.

The predominance of prime buildings in the Big Six markets is reflected by even stronger growth of 10.2% in 2025, the strongest rate in over 20 years. Leeds has recorded exceptional growth of 18% over the year to Q3, while Birmingham is on course to achieve growth of 20% in 2025 overall with its prime headline rent breaking through the £50 per sq ft barrier. Competition for a limited supply prime product is expected to drive continuing prime headline rental growth in 2026, albeit at a slower pace of 4.3% across the 15 markets.

FILLING THE BREACH

Focused demand towards best-in-class space has played a crucial role in driving rents to levels perhaps unthinkable five years ago. While a subdued development pipeline threatens to hamper this demand, it presents a considerable opportunity for investors and developers to fill the breach with carefully curated refurbishments. Meanwhile, occupiers that are less discerning on quality will ultimately be pushed towards more efficient buildings by MEES (Minimum Energy Performance Standards) over the coming decade.

A key area of opportunity is the refurbishment of essentially good, modern buildings to a prime standard. While older or less adaptable buildings would require a back to frame 'reset' and cap ex not too dissimilar from new builds, offices delivered ten to twenty years ago in core CBD locations offer considerable potential for repositioning at a far less onerous cost. This would typically include replacement of M&E systems and curation of various amenities, and would have the potential challenge existing prime rental levels, subject to prevailing supply conditions.

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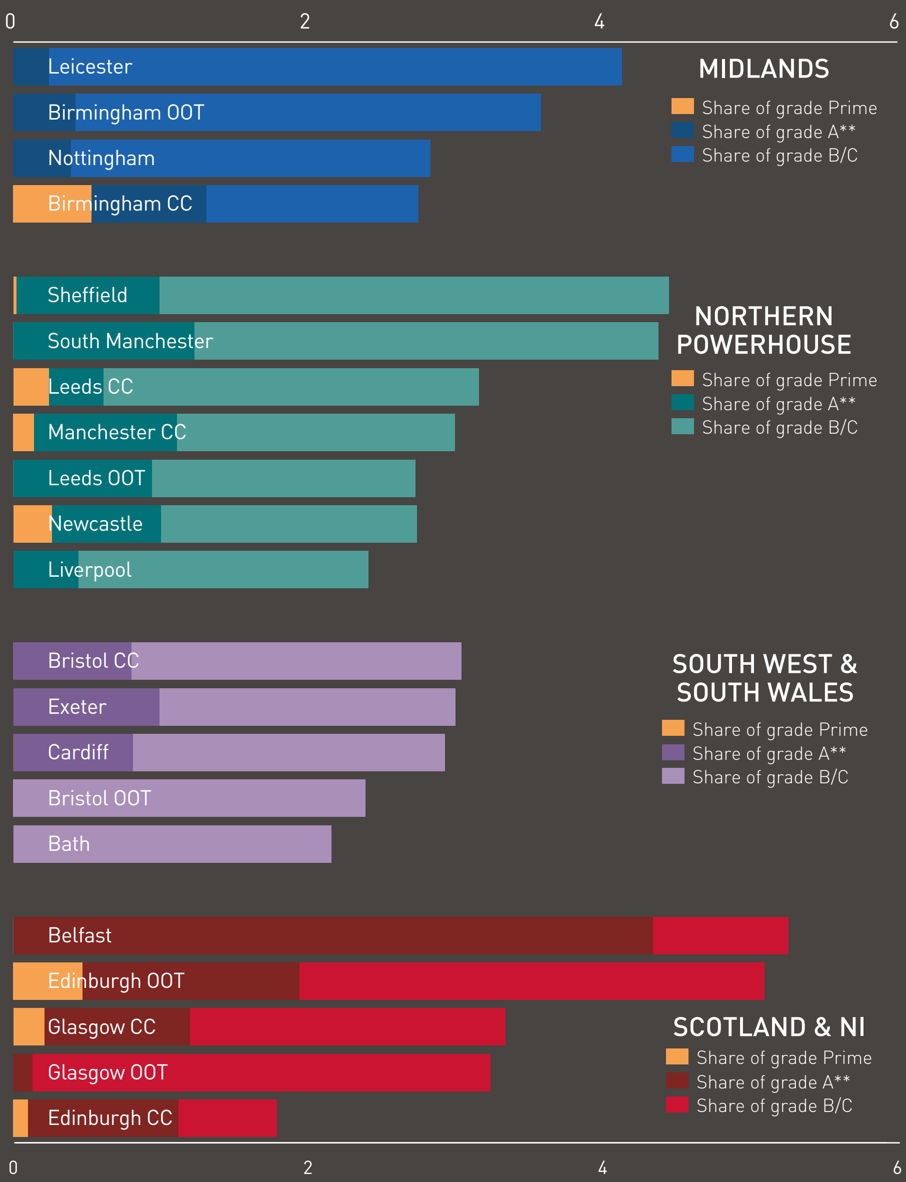
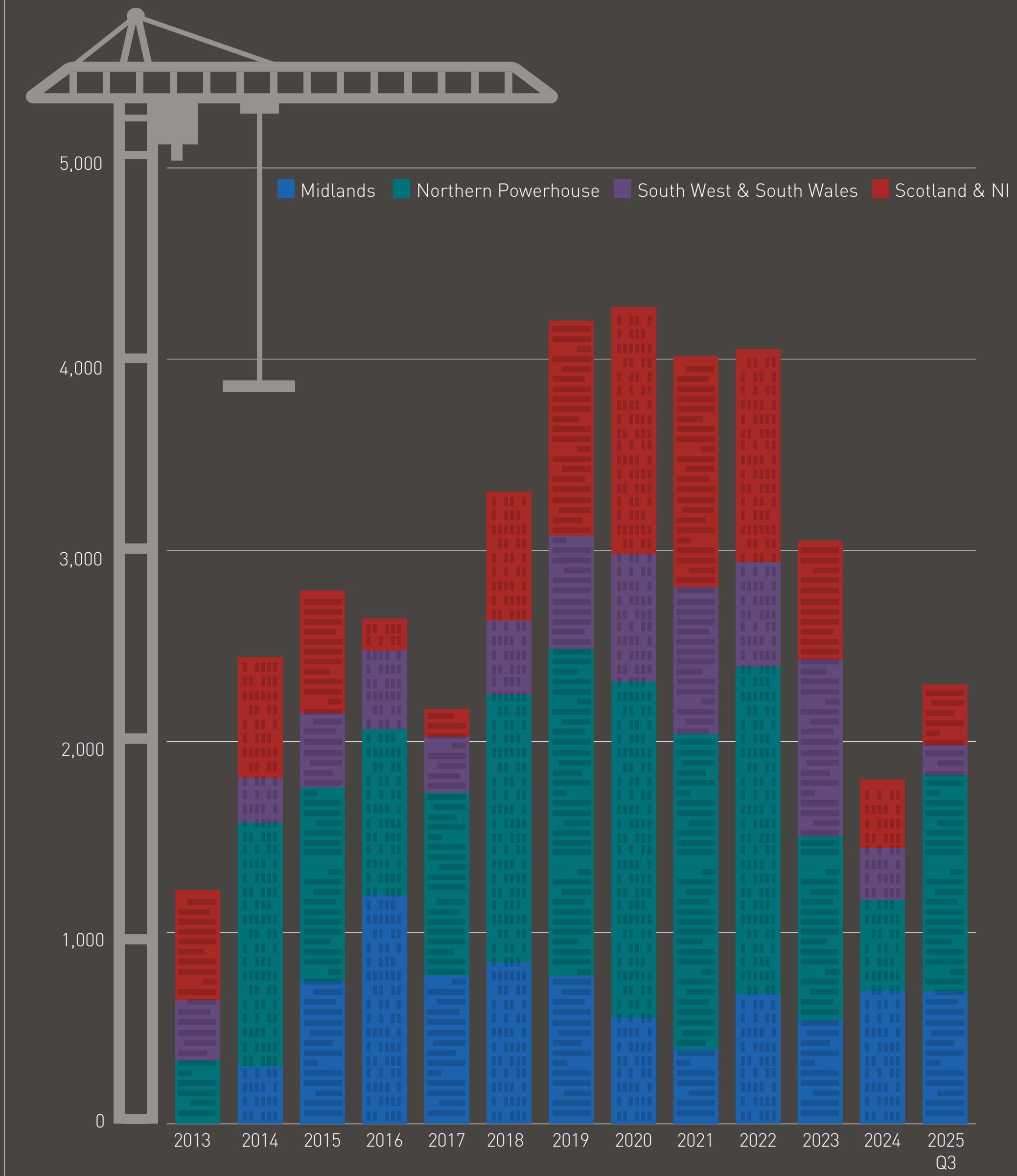
AVAILABILITY AS YEARS OF SUPPLY*



* Years of supply defined as current availability divided by 10-year average take-up.
* * Grade A includes speculative space completing in next 12 months.

SPECULATIVE DEVELOPMENT UNDER CONSTRUCTION (000 SQ FT)



Source: LSH Research

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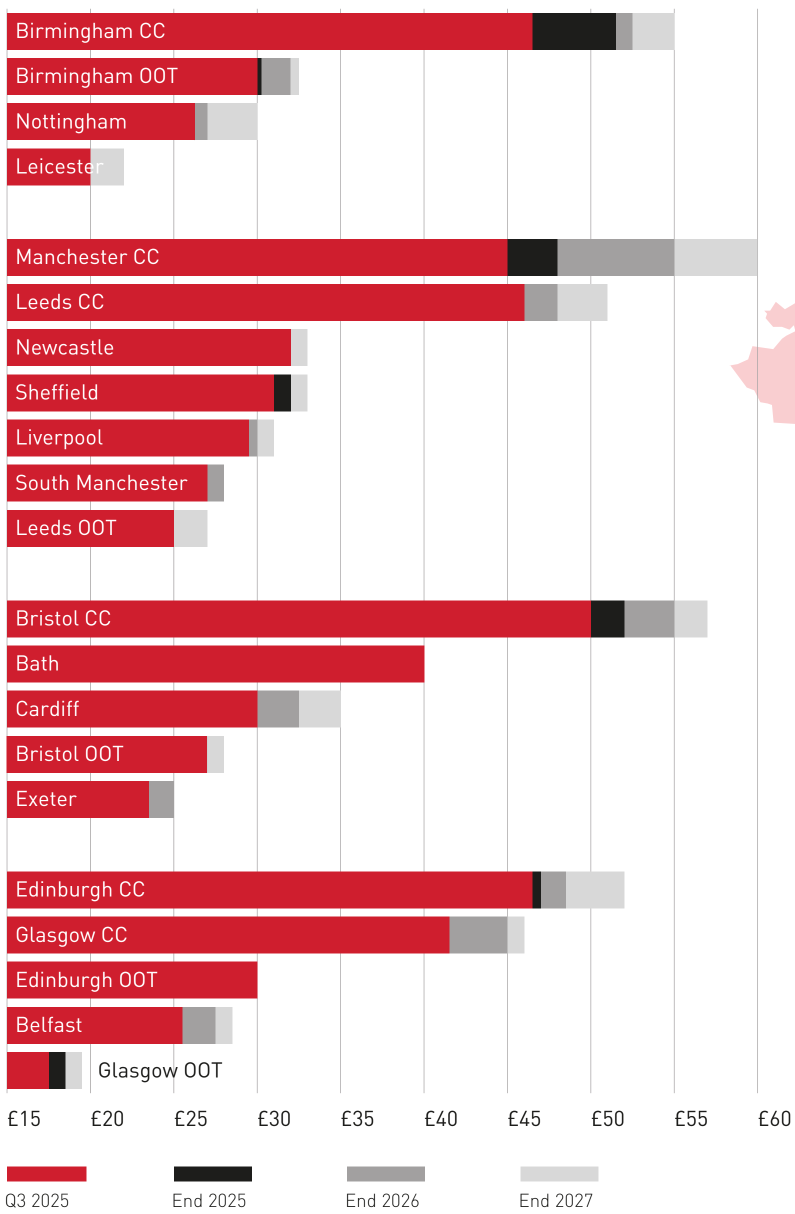
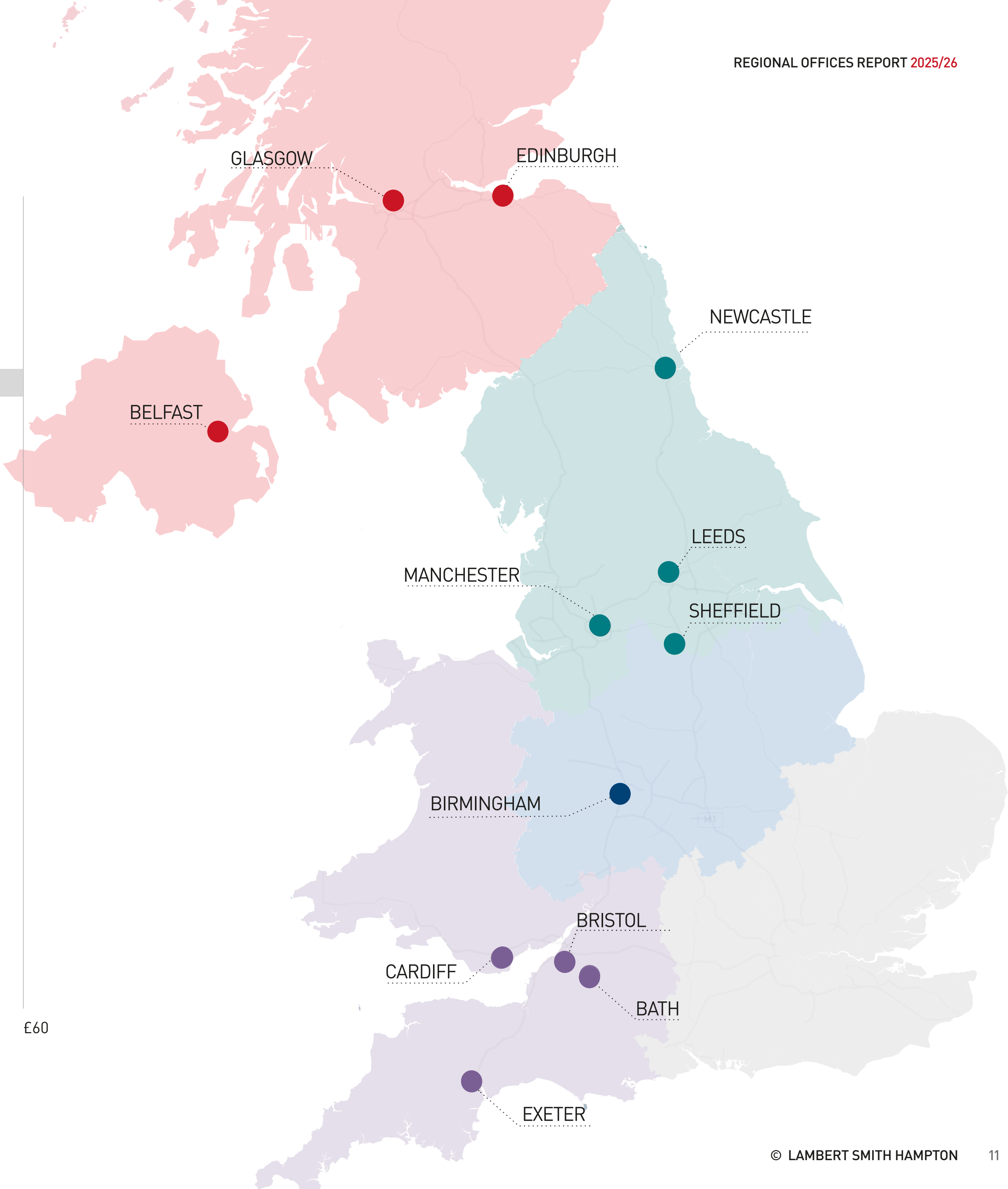
PRIME HEADLINE RENTS AND FORECASTS (£ PER SQ FT)





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FOCUS: REFURBISHMENT POTENTIAL

PRIME ELEVATION

Strong rental growth, a scarcity of prime quality supply and a limited pipeline of future developments has thrown the refurbishment potential of existing buildings into the spotlight. Here we assess the nature and the scale of this opportunity.

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PRIME PERFORMERS

Over the past two years, the delivery of prime quality space has played a major role in stimulating activity across the regional office markets, whether it be through occupier expansions or consolidations into better quality workspace. The Big Six city centres, which account for the vast majority of prime supply, have collectively seen prime buildings account for 64% of grade A take-up in transactions over 20,000 sq ft in 2025 to Q3.

But what separates a conventional grade A office building from a prime building? While EPC A/B ratings and 'healthclub' standard changing facilities are expected in more buildings now, prime buildings must also possess at least two additional high-quality amenities, such as outside space (typically a roof terrace), on-site cafés, gyms and flexible workspaces.

SCARCITY AND GROWTH

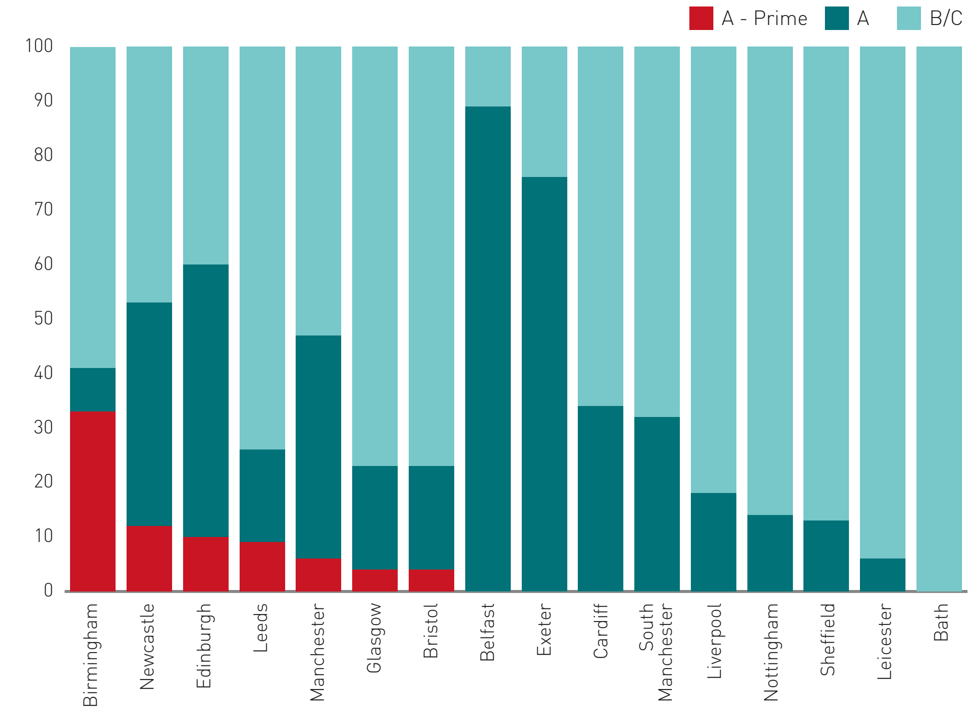
Given the scarcity of prime space and focused demand for it, lease up rates at prime city centre schemes have been impressive, illustrated by the current status of various 2024 completions set out opposite. Crucially, these buildings have driven prime headline rents on to levels unthinkable just a few years ago, most notably in Manchester, Bristol and Birmingham, where rents have either broken through the £50 per sq ft barrier, or soon will.

As it stands, there is limited available prime space to choose from. Excluding space under offer and including developments completing within six months, total prime space across the UK's 15 markets combined amounts to c. 1.1m sq ft, the majority of which is located in Birmingham, Bristol, Leeds and Manchester city centres. For context, this is equivalent to three months' worth of average annual grade A take-up across the regional centres combined, rising slightly to five months across the Big Six city centres, where prime supply is admittedly focused.

THIN PIPELINE

Despite their strong performance on rent levels and lease up rates, many developers have been reluctant to bring forward prime schemes over the past two years. High build costs pose a particular challenge, while uncertainty over exit yields (based on a typical investor's 3-5 year business plan) is also weighing on development appetite.

CURRENT AVAILABILITY >20,000 SQ FT, SHARE BY GRADE (%)



Source: LSH Research

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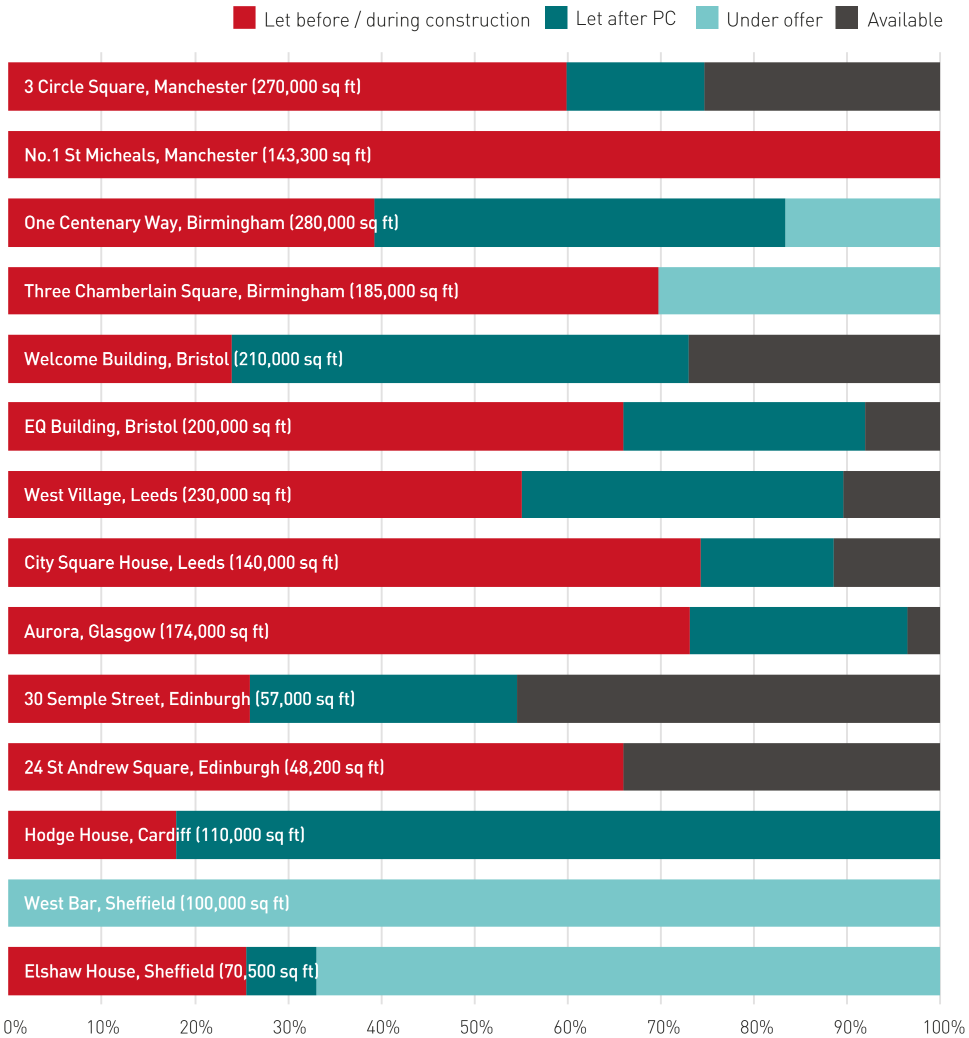
LEASE-UP OF SELECTED PRIME BUILDINGS (%)



Source: LSH Research

The net result is a thinning of the development pipeline across the regional cities. At present, only five speculative schemes are deemed likely to start on site across the 15 key regional markets in 2026, totalling c. 600,000 sq ft. Three of these are in Bristol, all of which are comprehensive refurbishments, the rest made up of one scheme in Leeds and one in Manchester, both of which are new-builds.

THE SWEET SPOT OF OPPORTUNITY

Much has been made lately of the potential to restore asset value and boost prime supply through high quality refurbishments, and there are several examples of buildings in the regional markets that have either set new rental benchmarks or challenged existing prime rents without being new builds (e.g. Hodge House, Cardiff).

However, the comprehensive back to frame refurbishments share some of the challenges associated with new builds, chiefly prohibitively high build costs and the long duration of construction, typically 18 months. Back to frame projects are also more likely to have physical constraints, such as limited glazing or restricted slab to slab heights, hence they are less likely to achieve institutionally grade A quality in the conventional sense.

Instead, it is our view that the main opportunity to boost prime supply is through lower scale refurbishments of still-relatively modern office buildings, typically those delivered between 2000 and 2015. Subject to the appropriate interventions, these buildings should be capable of achieving headline rents that are within 10% of the prevailing prime benchmarks.

There are several key advantages associated with this lower scale approach over more comprehensive refurbishments and new builds:

The buildings are already good quality. Being relatively modern, the building's external appearance is more likely to be attractive and in relatively good condition, albeit there may be opportunity to alter some of the cladding for cosmetic purposes. Internally, floorplates, lifts and general specification will already be of institutional grade A quality.

Lower capital expenditure is required. Expenditure can then be devoted to elevating a building from a more conventional grade A offer to a prime standard. Interventions should include installation of a new HVAC system and a switch to full electrification, and the addition of high-quality amenities such as a shared roof-terrace, on-site café/bar and shower/changing facilities. An overhaul of the reception space may also be considered.

Quicker and more flexible turnaround. The less intensive nature of this type of intervention implies a quicker turnaround than back to frame refurbishments, potentially within six months in if the building happens to be vacant. Though slower, works may be undertaken while some parts

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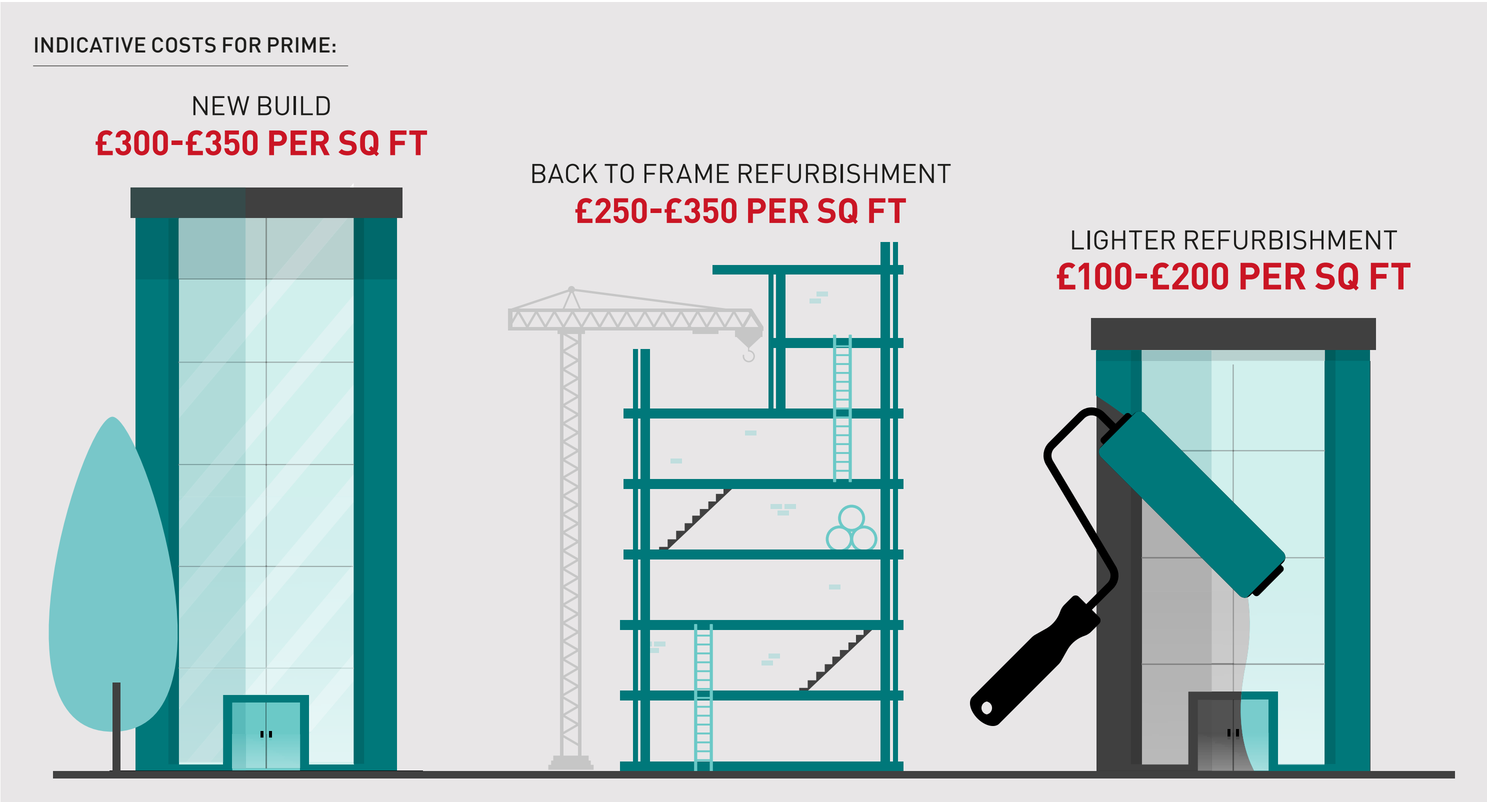
of the building remain occupied, albeit only in certain cases and with careful planning, giving the landlord a continuing flow of income.

More sustainable. An overhaul of the HVAC and full electrification should normally be sufficient by itself to drive the Energy Performance Certificate rating to A or B, futureproofing the building against more stringent MEES legislation over the coming decade. While this approach is much more sustainable than new-build when embodied carbon is taken into account, it can be more difficult to achieve the highest possible accreditations.

A PRIME EXAMPLE

The above approach is not theoretical. Examples are already beginning to emerge, as investors realise the potential for strong returns in this space. One notable example is 3 Rivergate, Temple Quay in Bristol, where LSH is the instructed agent. This building is owned by UBS and has been comprehensively refurbished to a prime standard, providing 75,000 sq ft of space over the ground and 6 upper floors.

The works completed in March 2025 and the building is now 50% let with rents achieved at £44.00 per sq ft and quoting rents on the remaining space now at £45.00 per sq ft. This is slightly below the city's prime headline rent benchmark, but represents a substantial rise on the pre-refurbishment level of c. £28.00 per sq ft.



THE SCALE OF OPPORTUNITY

While the repositioning opportunity is clear, LSH's network of office agents undertook an audit of built stock across 12 of the regional city centre markets to assess the scale of the opportunity. All buildings over 20,000 sq ft NIA built between 2000 and 2015 were assessed for their suitability for refurbishment to a prime standard, a key factor being the building's ability to 'challenge' each city's existing prime headline rent (i.e. achieve within at least 10% of the prevailing benchmark). Buildings that were compromised on location, owner-occupied or hindered by long existing leases were discounted, with the selected opportunities then categorised into either potential for either i) light refurbishment or ii) comprehensive back to frame refurbishment.

BRISTOL TOP FOR RELATIVE OPPORTUNITY

The results reveal over 8m sq ft of opportunities across all of the surveyed regional markets. Given its size, Manchester predictably shows the highest quantum of opportunity, amounting to 1.2m sq ft. However, Bristol shows the most opportunity relative to its size, with 1.1m sq ft spread across 12 buildings, albeit spanning both light refurbishments and back to frame. However, Birmingham city centre leads on light refurbishments by a clear margin, with just over 1m sq ft of identified opportunities. Elsewhere, Edinburgh shows close to 600,000 sq ft of opportunities and, while this is encouraging, it arguably is not enough to

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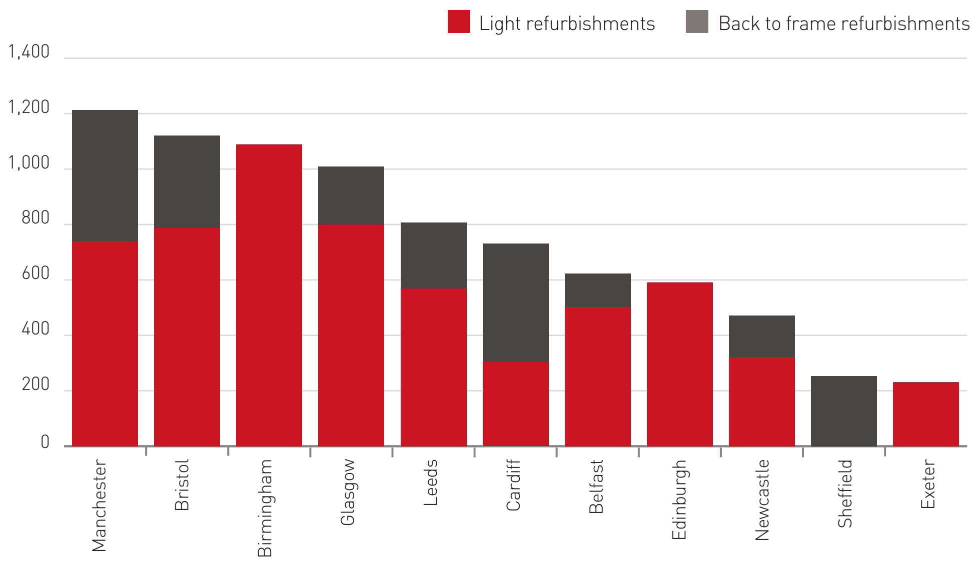
compensate for the restricted nature of current prime supply.

Outside the Big Six, some of smaller markets show a strong degree of opportunity relative to their size. While Exeter is a small market, c. 200,000 sq ft worth of existing stock is deemed capable of the challenging the prime rent through a light refurbishment, albeit this reflects its low prevailing prime headline rent (£23.50 per sq ft) relative to other regional centres. Belfast similarly displays a healthy volume of opportunities, but in this case investors will need to be mindful of the high level of existing new build grade A space that remains available in this market.

NO TIME LIKE THE PRESENT

Something of a perfect storm is building in the regional office markets, as improving demand and ongoing flight to quality are coinciding with an increasingly constrained development pipeline. But, with values having largely bottomed out and prime rents rising strongly, there has never been a better opportunity to seek out value-add potential. The relatively low capital expenditure requirements and the quicker turnaround typical of lighter refurbishments represents a clear, but arguably brief window of opportunity to capitalise on the undersupply of prime options before the new build pipeline rebuilds in the coming years.

REPOSITIONING OPPORTUNITIES BY MARKET (000 SQ FT)



Source: MSCI / Property Data / LSH Research

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FOCUS: AI IN REGIONS

BRIDGING THE AI DIVIDE

The UK's regional cities are all playing catch-up with London in the race to reap the benefits of AI, but there are large variations in their levels of AI adoption and readiness.

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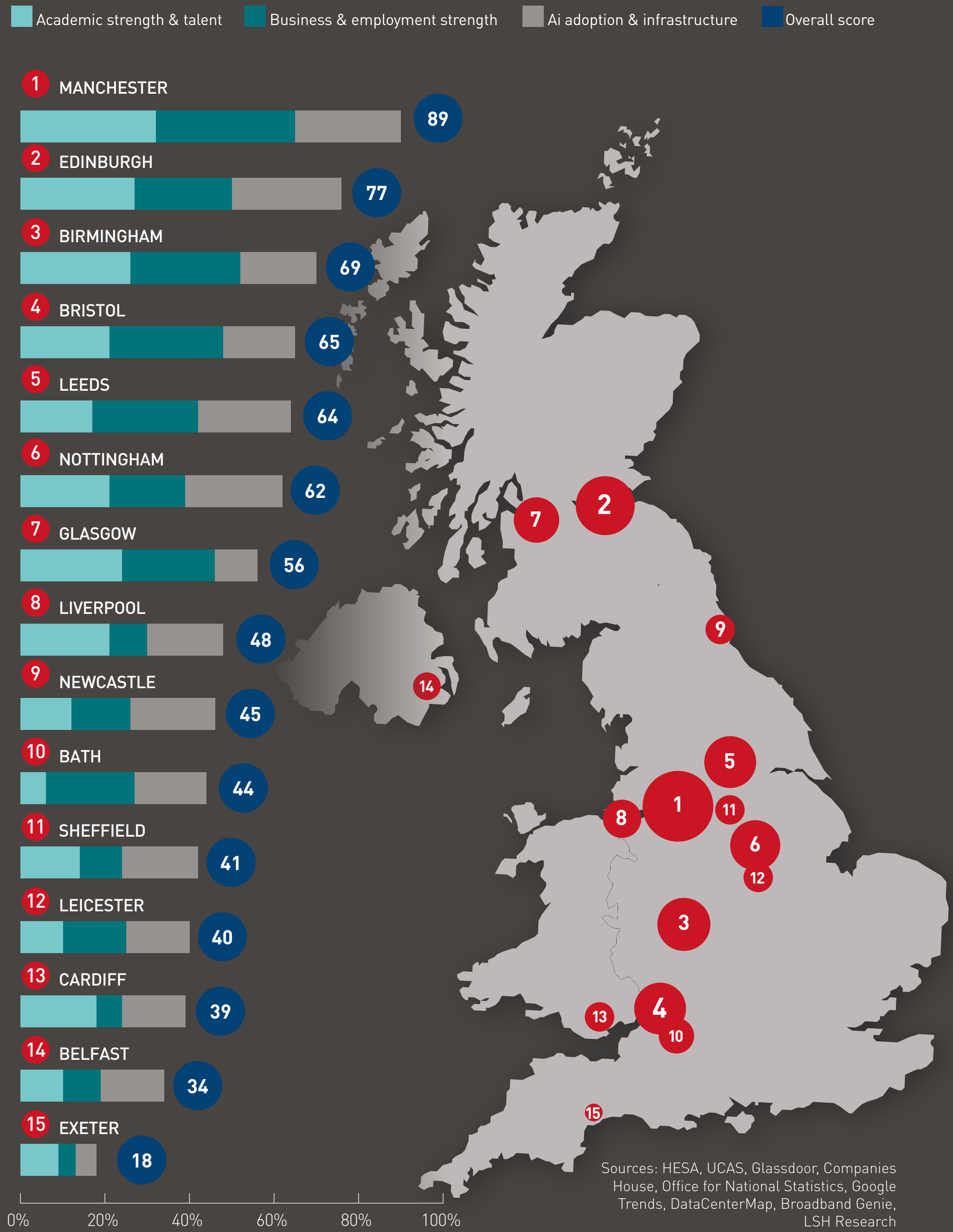
DRIVING GROWTH

Artificial intelligence (AI) has the potential to drive global economic change over the coming years by boosting productivity, sparking innovation, and reshaping labour markets. The impacts of AI are already evident in the property sector, with its soaring computational needs driving a data centre development boom, and AI tools increasingly being used to support property management and investment decisions.

The UK is playing a prominent role in the AI revolution, with Capital Economics ranking it third globally in its AI Economic Impact Index, which assesses countries' ability to innovate, adopt and adapt to AI. Only the US and Singapore are ranked higher, and Capital Economics' analysis suggests that AI will provide a bigger boost to productivity growth in the UK than in most other major economies.

However, the UK's AI ecosystem is heavily skewed towards London, which is a genuine global hub for the sector, attracting far more AI venture capital funding and start-up activity than any other UK city. According to research prepared by Perspective Economics for the Department for Science, Innovation

LSH AI VITALITY INDEX MAX SCORE = 100



Sources: HESA, UCAS, Glassdoor, Companies House, Office for National Statistics, Google Trends, DataCenterMap, Broadband Genie, LSH Research

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& Technology, 75% of UK AI companies are registered in either London or the neighbouring South East and East of England regions.

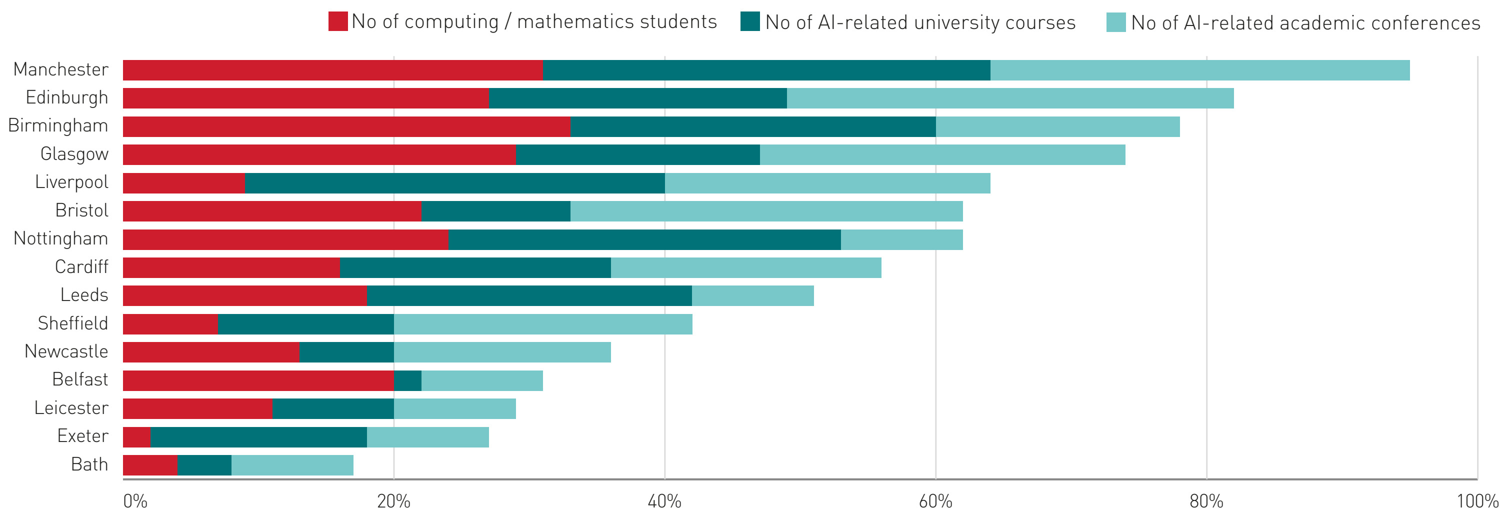
While it is difficult to measure the size of the UK AI sector, as it is not covered by an existing standard industry classification, the government-commissioned research estimates that the economic output of dedicated AI companies almost doubled between 2023 and 2024. The rapidity of this growth is testament to a sector that is fast becoming a key driver of UK economic activity, and regional cities risk losing out on future growth if they are unable to capture healthy shares of UK AI investment.

READYING THE REGIONS

LSH's AI Vitality Index measures levels of AI activity and preparedness within the key UK regional cities. The overall index scores are derived from nine metrics, which are split into three broad pillars: Academic Strength & Talent, Business & Employment Strength, and AI Adoption & Infrastructure. The 15 cities have been ranked from best to worst for each of the individual metrics, and these rankings have been aggregated and converted to total scores out of 100.

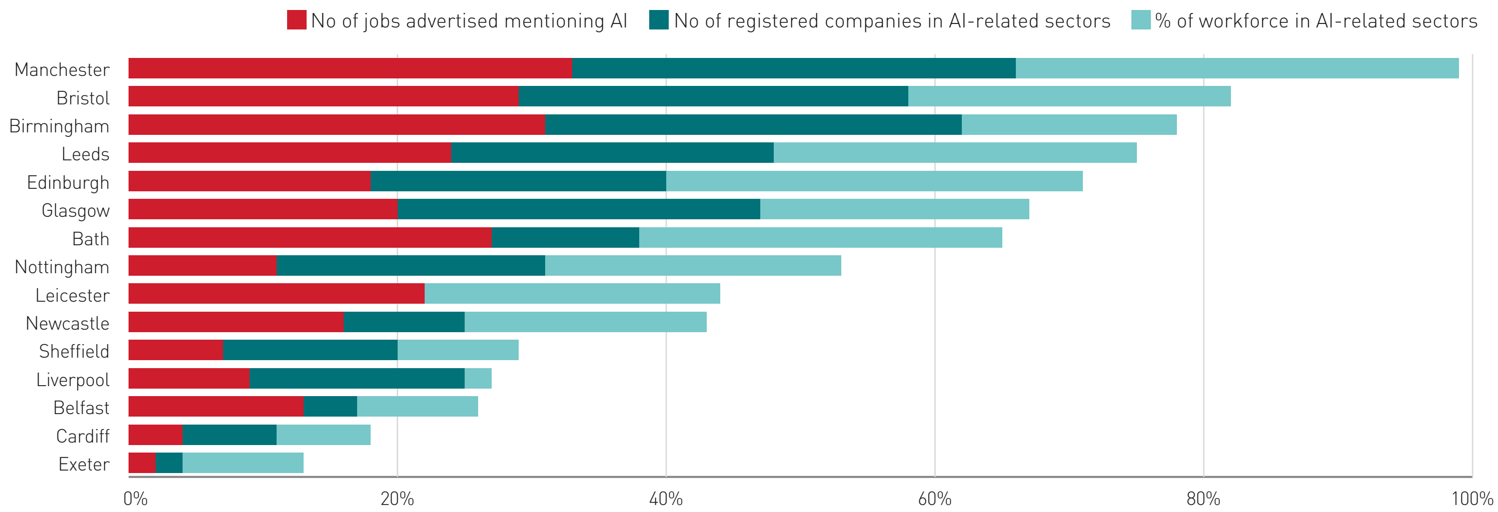
Manchester is the clear leader of the overall ranking, placing top for Academic Strength & Talent and Business & Employment Strength; and second for AI Adoption & Infrastructure. Manchester achieves the top score for several individual metrics within the three pillars, including the number of businesses in AI-related companies;

AI VITALITY INDEX - ACADEMIC STRENGTH & TALENT PILLAR, MAX SCORE = 100



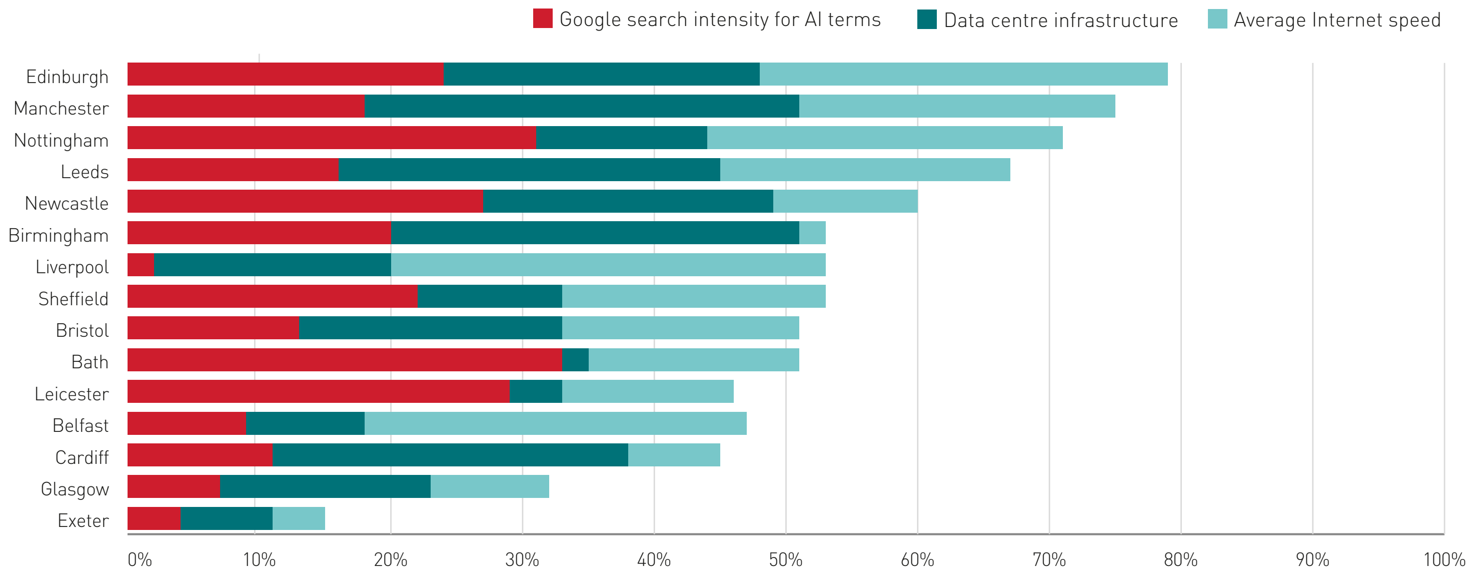
Source: HESA, UCAS, LSH Research

AI VITALITY INDEX - BUSINESS & EMPLOYMENT STRENGTH PILLAR, MAX SCORE = 100



Source: Glassdoor, Companies House, Office for National Statistics

AI VITALITY INDEX - AI ADOPTION & INFRASTRUCTURE PILLAR, MAX SCORE = 100



Sources: Google Trends, DataCentreMap, Broadband Genie

the percentage of the workforce in relevant sectors; and the number of university courses offered in AI subjects.

Edinburgh, Birmingham and Bristol also feature towards the top of the ranking. While Birmingham's strengths are broad-based, Edinburgh derives its best scores from Academic Strength & Talent and AI Adoption & Infrastructure; and Bristol does particularly well for Business & Employment Strength.

Although the top end of the overall ranking mostly features the UK's larger regional cities, some mid-sized and smaller cities punch above their weight, with sixth-placed Nottingham and ten-placed Bath both outranking several bigger cities. However, the bottom three of Exeter, Cardiff and Belfast all appear vulnerable to being left behind in the AI race.

RISKS AND OPPORTUNITIES

While AI is opening up economic opportunities, these come hand-in-hand with labour market risks. AI has already been cited by companies such as Amazon and BT as a factor behind recent lay-offs, and roles involving routine or repetitive tasks that can easily be replicated by AI are at danger of being displaced.

A recent study by Stanford University highlighted the exposure of software engineering and customer service roles to AI displacement, while recruitment website Adzuna ranks data entry assistant and coder jobs as most at risk. Paradoxically, many of the cities towards the top of the LSH AI Vitality Index have relatively high concentrations of these types of roles.

However, back office, entry level and part-time jobs are more broadly at risk across a wide range of sectors, with analysis by the Institute for Public Policy Research (IPPR) indicating that these are the roles most likely to be lost during the first wave of AI adoption. Leadership and management roles, business strategists, legal professionals, healthcare workers and skilled tradespeople are among those most insulated from AI.

JOB CREATION AND DISPLACEMENT

AI will lead to job displacement, but alongside this will come job creation. Not only is AI generating the need for completely new roles such as AI trainers and prompt engineers, but the boosts to economic growth and productivity provided by AI should generate increased demand for other non-displaced roles.

The labour market has entered a transitional phase, but historical precedent shows that previous periods of labour upheaval caused by technological change have always led to more jobs being created in the long run. There may be net job losses during the initial phases of AI adoption, but modelling by the IPPR suggests that this will be far from a 'jobs apocalypse'.

OFFICE MARKET IMPLICATIONS

While AI's impact on total employment levels could be limited, it will still reshape the composition of the workforce, and this will impact office market demand. As jobs are displaced and replaced, occupier demand will shift away from offices suited to back-office functions and lower skilled roles, and towards offices able to accommodate high-value workers and sectors. AI workers themselves will require smart, collaborative workspaces with robust, high-performance IT infrastructure.

As a result, AI may provide additional impetus to the ongoing shift in UK office markets towards prime, amenity-rich city centre buildings. The larger cities towards the top of the LSH AI Vitality Index are in the strongest positions to benefit from this movement, but smaller cities and out-of-town locations that have historically drawn more of their demand from back-office functions could lose out.

The potential for imbalances in the office market adds to the importance that the government implements an AI strategy that benefits the whole of the UK, and not just the major cities. Investment in AI education and infrastructure is needed at national, regional and local levels. With the right support, the widespread adoption of AI has the potential to empower businesses and people regardless of their location, and this could even help to reduce regional inequalities in growth and productivity over the long term.

JOBS MOST EXPOSED TO AI

	ROLE	AVERAGE SALARY
1	Data Entry Assistant	£42,764
2	Coder	£29,627
3	Software Engineer	£65,601
4	Blockchain Engineer	£147,500
5	Clinical Data Manager	£65,000
6	Mathematician	£32,500
7	Web & Digital Interface Designer	£38,533
8	IT Support Analyst	£34,444
9	Proofreader	£37,218
10	Journalist	£30,490

Source: Adzuna

INVESTMENT MARKET REVIEW

BACK IN THE SPOTLIGHT

Sentiment towards offices has improved significantly, reflecting the resilient occupier demand in the core regional markets, strong rental growth and a growing perception of value relative to other property sectors. However, buyers remain highly risk averse.

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SENTIMENT IMPROVES

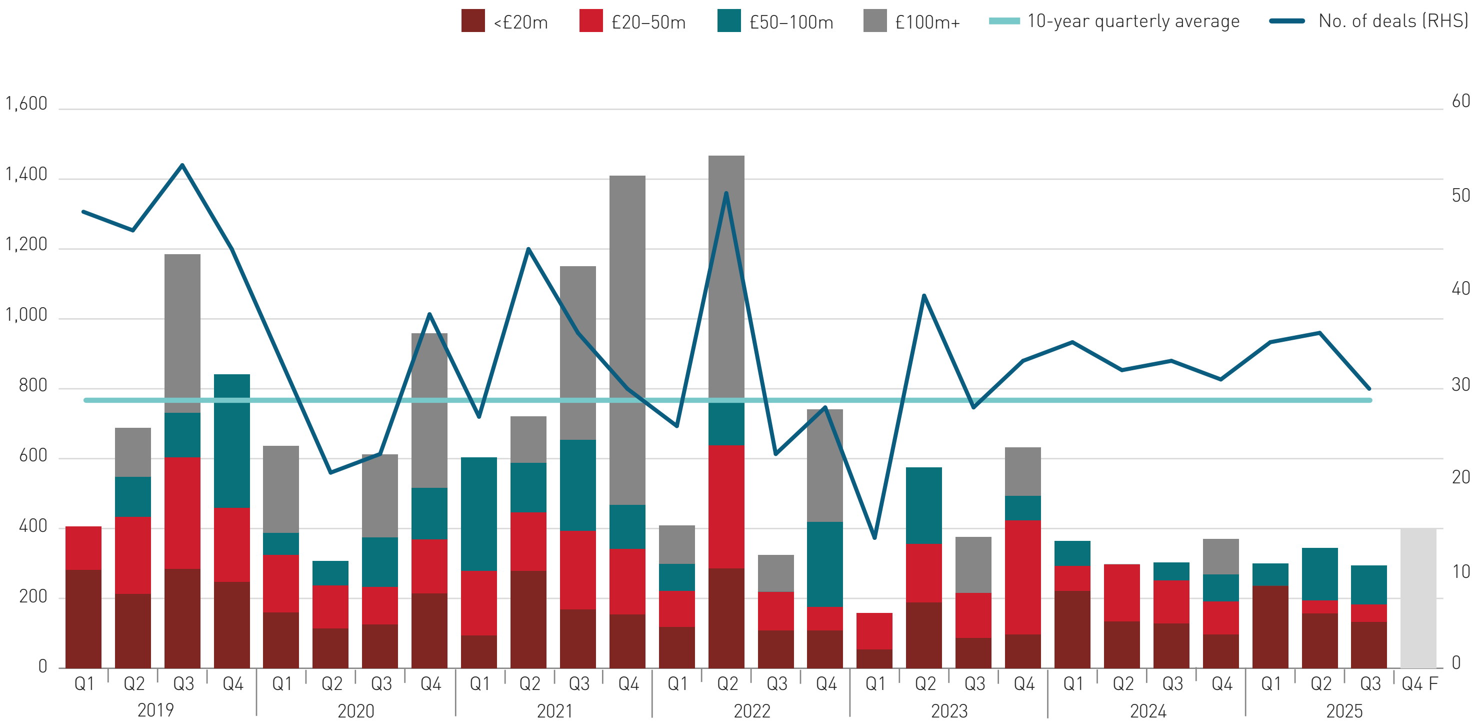
2025 has been a challenging year for the investment market, more so than many were expecting given the chaos that ensued around Trump's tariff announcements, the sapping impact of higher government taxes on UK business sentiment and still-elevated UK gilt yields. But, amidst the wider challenging economic backdrop, sentiment towards offices has improved markedly.

With staff occupancy rates moving closer to pre-Covid levels, rental growth continuing to steam ahead and a chronic lack of new build office development in the pipeline, wider economic headwinds have arguably run ahead of the structural, sector-related risks that plagued the office sector until recently.

2025 VOLUMES BELIE ACTIVITY

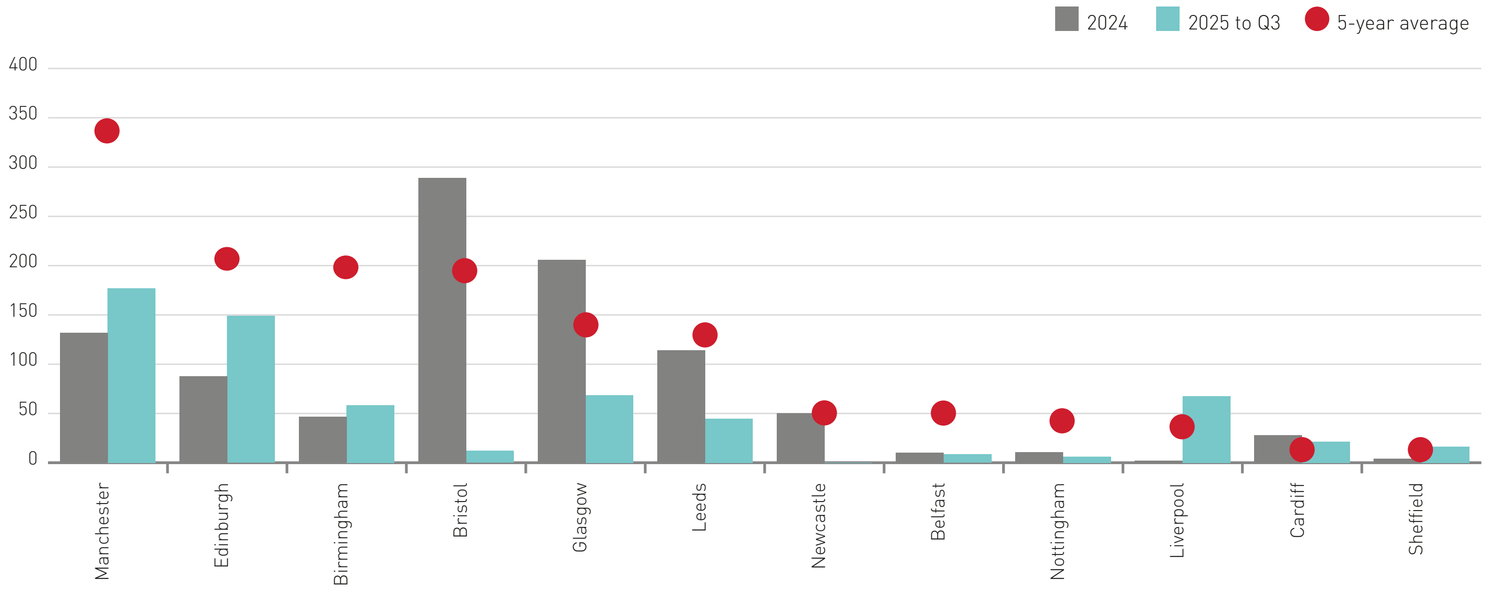
Improving sentiment is yet to be reflected in volumes or pricing. At £938m, volume over 2025 to Q3 is almost identical to the same period in 2024 and substantially below trend, reflecting the impact of lower values on pricing and a distinct lack of large-scale deals. 2025 is likely to be without a single deal over £100m for the first time since 2008.

REGIONAL OFFICE VOLUME BY LOT SIZE (£M)



Source: LSH, PMA, MSCI RCA

SINGLE ASSET VOLUME IN KEY CENTRES (£M)



Source: LSH, PMA, MSCI RCA

However, transactional activity in the smaller end of the market has not only held up well but run ahead of average. 2025 to Q3 has seen 174 deals, spread relatively consistently over the three quarters, with activity in the small £1m to £3m lot-size market moving back into line with pre-Covid levels. This speaks volumes about severe repricing in this space and the sense of opportunity it provides, particularly among private cash buyers, and in some cases involving change of use.

SENTIMENT TO CONVERT TO ACTIVITY IN 2026

Despite pre-budget hesitancy in the wider investment market, Q4 2025 promises to be the year's best quarter for volume. Circa £500m worth of assets are under offer at time of writing and predicted Q4 volume is circa £400m. Admittedly, some of this has taken a long time to gestate, underscoring the fickle nature of demand. Two notable examples in Birmingham comprise 2 Snowhill (est. £85m), where a cladding issue have taken over a year to resolve, and the Priory & Lewis Building (est. £60m), which is back under offer after an aborted process. These kinds of challenges have delayed a number of sales across the sector, with average transaction periods from marketing to completion taking well in excess of eight months.

Volume in 2026 is expected to show a marked improvement upon 2025, aided by a more competitive buyer landscape and underpinned by the welcome return of large-scale deals. Stock was recently boosted by the arrival of several high-quality regional assets to the market, including MEPC-owned Paradise, Birmingham and Wellington Place, Leeds and 4 Angel Square, Manchester, which taken together are quoting in excess of £700m. These lots are a potential bellwether for pricing and may influence decisions on similar disposals in 2026.

RELATIVE VALUE IN THE REGIONS

The price correction after late 2022 was both severe and protracted but limited evidence suggests values have long-since bottomed out at the prime end of the market. Across the Big Six markets, prime yields were stable through 2025, standing at an average of 6.71% (10-year income) and leaving the total outward shift since the 2022 mini-budget unchanged at c.175bps.

Given robust fundamentals around the quality end of the market, prime regional offices are attractively priced in comparison with other sectors, namely those in the living arena, industrials and indeed Central London offices. While the underlying dynamics in the core regional markets are comparable with the City of London, where prime yields are circa 5.25% and hardening, the c.125bp discount looks increasingly compelling.

Investors however remain highly averse to risk, be that on vacancy, sub optimal EPC ratings and covenant. Geographically, a wide spread exists between the Big Six and the next tier of regional markets covered in this report, where, notwithstanding limited evidence, average prime yields stand at 8.14%. While evidence suggests secondary pricing bottomed out in 2025, the discount to prime stands at record levels, with secondary yields (5-year income) in the Big Six standing at c. 12.5%.

IMPROVED FINANCIAL BACKDROP

Improved sentiment is certainly evident in the lending market, and this should provide a better foundation for big-ticket transactions in 2026. Appetite among lenders has recovered sharply, reflected in increased lending volumes, more favourable LTVs and a tightening of margins. Borrowing appetite has improved in tandem, supported by a gradual lowering of interest rates, and hence finance costs.

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However, this is something of a double-edged sword as by some estimates as much as 50% of loan origination is for refinancing of existing debt. On the one hand, this has shielded many landlords from distress, but on the other, it has preserved pricing at levels many would-be investors still find unpalatable, despite a decent weight of capital ready to deploy.

KEEP IT PRIVATE

Private propcos have taken the largest share of regional office investment over the year to Q3 2023, with purchases of £527m accounting for 40% of the total, and net buying to the tune of £234m over the period. This was the most active group relative to trend, with annual purchasing standing only 22% below the long-term trend and arguably close to trend when adjusting for the price correction.

The long running institutional sell-off has continued into 2025, reflecting the gradual wind down of defined benefit pension schemes. With substantial disposals amounting to £460m over the year to Q3, institutions remain the main net sellers of regional offices, amounting to £355m.

However, there is a growing expectation that institutional buyers will make a meaningful return to the market over the next 12 to 24 months. This activity will be underpinned by the Government's formation of several pooled-pension funds. These funds with balanced weightings across the sectors, have the potential to increase competition for the limited number of core assets and potentially embolden development appetite.

EUROPEANS DOMINATE INFLOWS

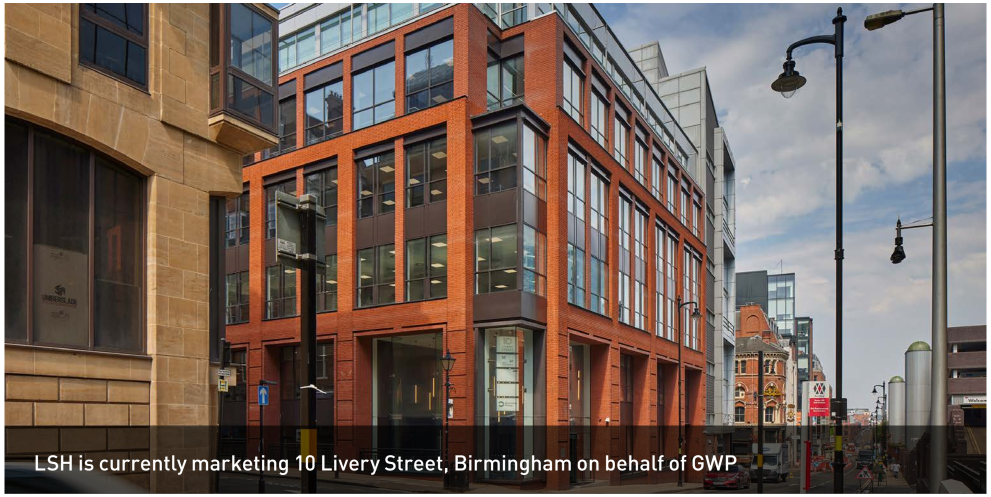
Recognising value in the UK regions, overseas investors have remained relatively active over 2025, having initially stepped back into the UK regions in 2024. After private propcos, overseas investors were the second biggest buyers of regional offices across the main investor categories, with purchases amounting to £400m over the year to Q3, with net buying amounting to £231m.

While North American buyers are yet to return to the regional markets, the void has been partly filled by a growing set of European buyers, focused on core income. French SCPI funds have provided a depth of demand. While Corum has been long-established in the UK, other new entrants have entered the fray, including Iroko Zen, Mata Capital, Alderan, Remake and Arkea REIM. Private overseas European capital has also made its mark, most notably Spanish-domiciled Pontegadea.

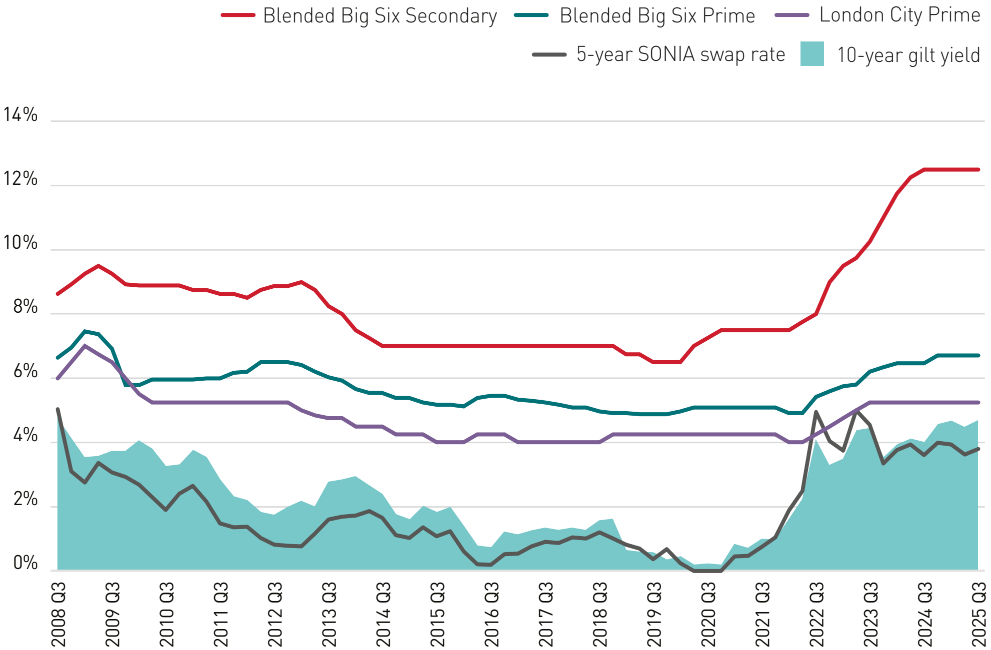
FILLING THE BREACH

While the heavier tax burden announced in the November Budget threatens an already-sluggish economic outlook, a degree of pricing recovery may occur in some parts of the regional office market during 2026. While this will be aided by the expectations of several additional interest rate cuts, the main upward pressure on pricing will come from increased competition in the market for a scarce supply of core product.

A lack of existing prime quality space and a distinctly thin development pipeline across the regional markets presents a major area of opportunity in the refurbishment space over the coming two years. While uncertainty over exit yields requires an initial leap of faith, evidence of strong rental growth gives a compelling case to create prime assets through redevelopment. This includes back to frame redevelopment, but the main opportunity to drive strong returns arguably lies with the refurbishment of already-modern assets that typically require lower levels of cap ex to elevate to a prime standard.

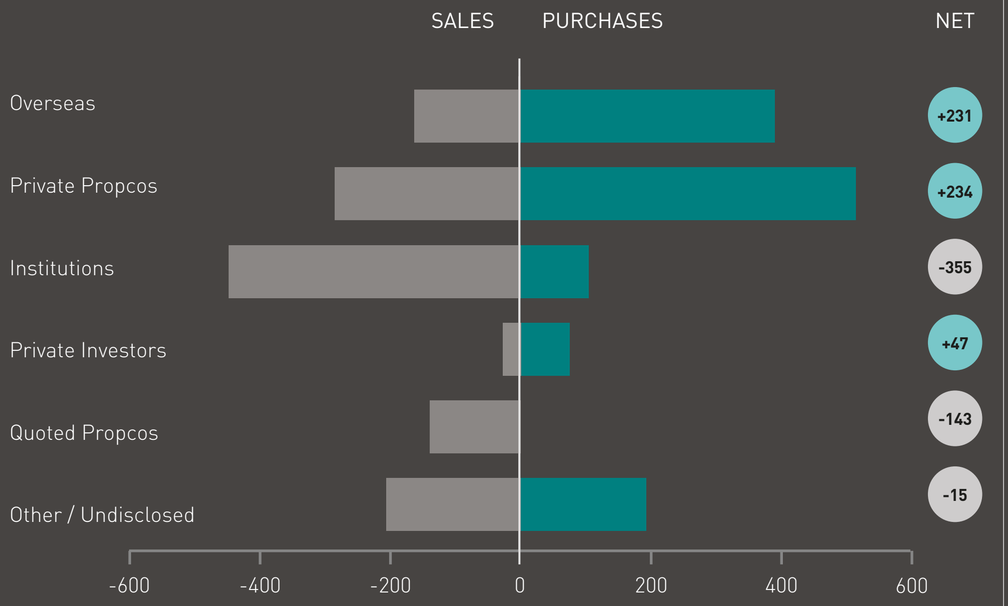

LSH is currently marketing 10 Livery Street, Birmingham on behalf of GWP

BIG SIX OFFICE MARKETS BLENDED PRIME YIELD (%)



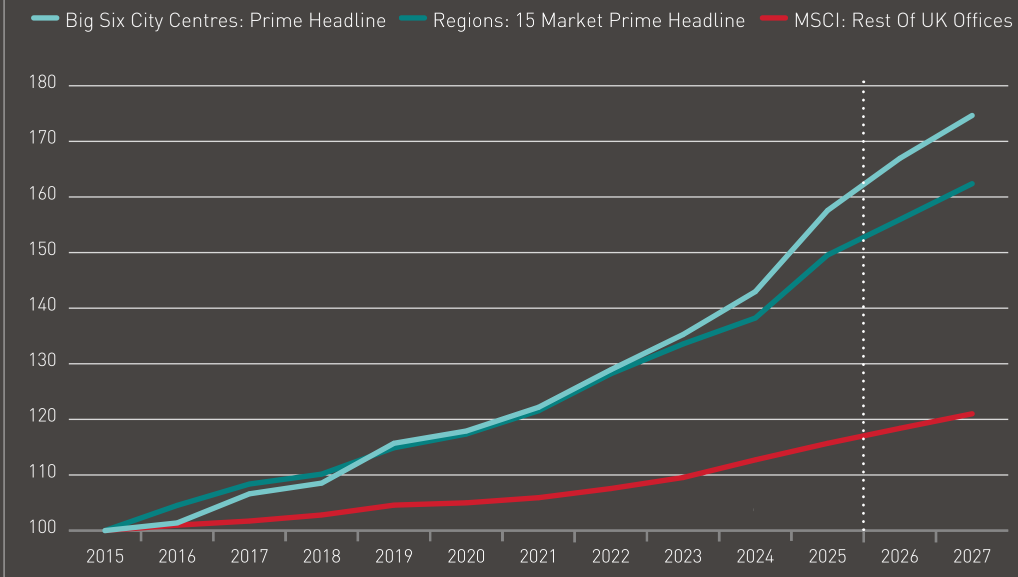
Source: LSH Research, FT.COM

VOLUME BY INVESTOR TYPE – 12 MONTHS TO Q3 2025 (£M)



Source: LSH Research, PMA, Property Data

RENTAL GROWTH INDEX: NOTIONAL PRIME VS MSCI AVERAGE (2015=100)



Source: MSCI, RealFOR

NOTABLE REGIONAL OFFICE TRANSACTIONS

DATE	PROPERTY	SIZE (SQ FT)	DEAL TYPE	PURCHASER / VENDOR	PRICE (£M)	CAP VAL £PSF	NIY
Sep-25	Central Exchange, Glasgow	95,174	Core Plus	Eddison / BNP REIM	22.15	233	10.70%
Jun-25	101 Embankment, Manchester	170,653	Core Plus	Melford Capital / M&G	75.00	439	8.75%
Jul-25	Quartermile One, Edinburgh	123,000	Core Plus	Beaumont Real Estate Capital / Epic	55.85	437	6.85%
Jun-25	Baskerville House, Birmingham	202,291	Value Add	Priory Real Estate / Federated Hermes	37.70	186	9.96%
Feb-25	Citygate, Manchester	47,000	Core Plus	Investec / Federated Hermes	14.00	298	8.15%
Feb-25	3 St Pauls Place, Sheffield	77,146	Core Plus	TIL Asset Management / M&G	16.44	213	10.63%
Jan-25	1-2 Callaghan Square, Cardiff	43,905	Core Plus	August Capital Partners / Daily Mail Pension Fund	6.80	155	13.26%
Dec-24	EQ, Bristol	194,426	Core Plus	Melford Capital / CEG	101.60	523	7.25%
Dec-24	10 Victoria St, Bristol	47,732	Core	Schroders / Northwood	23.10	484	7.22%

Source: LSH Research

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MARKET INSIGHT

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LIFE BEGINS AT THIRTY

After a long period of stagnation, prime rents in Cardiff city centre surged by 20% year-on-year, boosting the prospects of refurbishment schemes in the pipeline.

BETTER TO COME

Compared with the stellar year of 2024, take-up over 2025 to Q3 has been subdued. However, this mostly reflects a lack of major deals, with the only large-scale transaction of 2025 being Creditsafe's lease of 49,950 sq ft at Cardiff Gate Business Park. This masked an otherwise very subdued year for the out of town market, with the city centre providing two thirds of Cardiff's transactions over 2025 to date, despite also recording modest total take-up.

Nonetheless, there remains continued optimism in the market. Around 120,000 sq ft is under offer, notably to Centrica (40,000 sq ft) and Creditsafe (15,000 sq ft). There are also over 300,000 sq ft of known requirements that are set to bear fruit over the next 18 months. These include a GPA requirement of circa 100,000 sq ft, with deliverability in late 2027 and, in Cardiff Bay, a similar sized requirement from the Welsh Government.

LITTLE IN THE PIPELINE

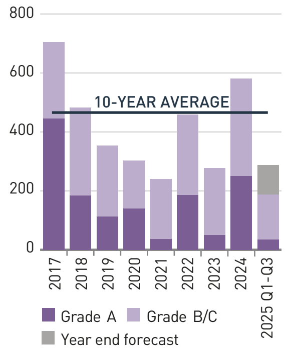
Overall supply has consistently hovered around the 2m sq ft mark over the past few years, with grade A space currently making up only 27% of the total. All of the grade A supply is located in the city centre. The focus of larger options is around Callaghan Square, albeit No.1 is mostly under offer to Centrica. Cardiff is devoid of prime-defined quality space following the tremendously successful let-up of L&G's Hodge House post-refurbishment and a cluster of lettings at One Central Square.

The development pipeline is also very thin. The only scheme underway is JR Smart's John Street that was pre-let to Lloyds Bank at the end of 2024 and is due to formally complete in Q4. One key proposed scheme is Rightacres' Ledger building, Central Quay although pre-lets are being sought to enable commencement. Elsewhere, highly sustainable refurbishments are proposed at Two and Four Callaghan Square having changed hands over the previous 18 months.

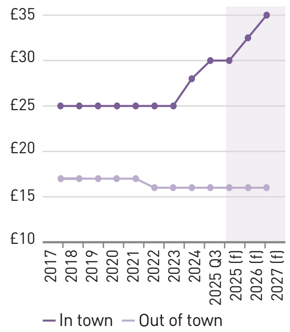
BURSTING THROUGH THIRTY

The scarcity of high-quality supply recently triggered a sharp increase in Cardiff's prime headline rent from the historic £25.00 per sq ft to £30.00 per sq ft, achieved through Stantec UK's 9,421 sq ft lease at One Central Square in Q2. Growth beyond this level is expected at the two Callaghan Square refurbishments, where rents of £30.00 to £35.00 per sq ft are expected to be achieved over the next 12 months.

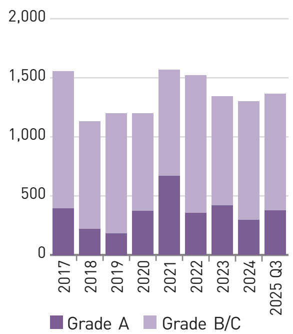
TAKE-UP (000 SQ FT)



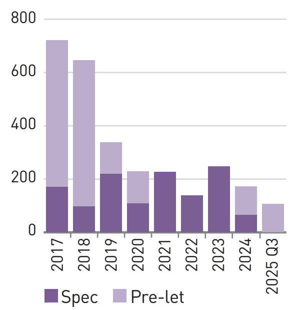
PRIME HEADLINE RENT (£ PER SQ FT)



AVAILABILITY (000 SQ FT)



UNDER CONSTRUCTION (000 SQ FT)



MARKET AT A GLANCE

FORECAST 2025 TAKE-UP VS 10-YEAR AVERAGE

-38%

YEARS OF SUPPLY

2.9

GRADE A SHARE OF SUPPLY

28%

PRIME YIELD

8.00%

Q3 2025 HEADLINE RENT (PER SQ FT)

£30.00

KEY SELECTED TRANSACTIONS

Quarter	Property	Size (sq ft)	Occupier	Rent (per sq ft)
2024 Q4	John Street	113,360	Lloyds Bank	£27.00
2024 Q4	Fusion Point One	23,762	International Baccalaureate	£24.00
2025 Q2	1 Central Square	9,421	Stantec UK Limited	£28.00
2025 Q3	1 Central Square	9,135	Browne Jacobson	£28.00
2025 Q1	Dunleavy House	8,688	Brave Investments	N/A

Source: LSH Research

BRISTOL

PIPELINE PRESSURE

A clear flight to quality has driven strong take-up of best-in-class space in Bristol, but the development pipeline is currently thin by recent standards.

LARGE DEALS RETURN

Take-up in Bristol city centre amounted to 439,420 sq ft over 2025 to Q3, up 30% on the same period of 2024. Q3 was the year's standout quarter for the city centre, with take-up of 227,767 sq ft the strongest quarter since Q1 2022 and comprising 34 deals, the highest in six years. Take-up was boosted by Hargreaves Lansdown's colossal 90,362 sq ft lease at the Welcome Building, a move that sees the financial services company downsize and relocate from the Harbourside.

While Q4 is set to be quieter, with approximately 150,000 sq ft forecast to transact, several large requirements remain active, including TLT (60,000 sq ft), AtkinsRéalis (70,000 sq ft) and Good Energy (15,000 sq ft). Despite protracted decision-making amid ongoing economic uncertainty, annual take-up for 2025 is on track to meet the 10-year average.

2025 has seen the welcome return of larger occupier commitments. Ten deals over 10,000 sq ft completed in the first three quarters, already surpassing the annual totals for both 2023 and 2024. In addition to the Hargreaves Lansdown deal, other notable transactions included OVO's 22,892 sq ft letting at Crescent and Mott MacDonald's 22,115 sq ft acquisition at One Hundred.

Meanwhile, fitted suites of sub 5,000 sq ft) are increasingly accounting smaller grade A deals. While many flex providers are actively seeking space in Bristol, their preference for management agreements has met resistance from landlords, who are prioritising leasehold occupiers amid strong demand.

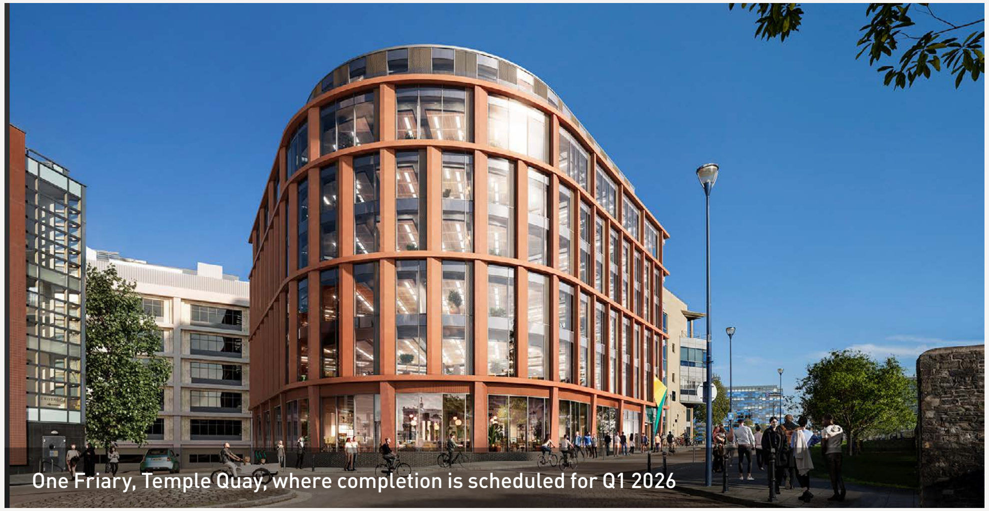
In contrast with other regional centres, Bristol's out of town market has performed relatively well in 2025, boosted by several large-scale lettings in H1. Rolls Royce's 87,648 sq ft lease at 100A Bristol Business Park and EDF's 78,284 sq ft lease at Aztec West propelled take-up to 272,680 sq ft during Q1-Q3 2025, up 75% on the same period of 2024. However, Q3 was a markedly quiet period for the out of town market, with just six deals totalling 20,930 sq ft, making it the weakest quarter since Q2 2020. Aside from the defence sector, tenant demand remains focused on the city centre, with several notable occupiers seeking to relocate from out of town, driven by ESG objectives and staff retention priorities.

GRADE A SUPPLY TIGHTENS

Inclusive of developments completing within six months, availability in Bristol city centre has continued its upward trajectory since 2022, reaching 1.6m sq ft at the end of Q3 2025 and marking a 21% increase since the start of the year. However, reflecting strong absorption of newly delivered prime office space, grade A supply has been relatively stable and now makes up only 26% of total supply.

Upward supply movement has been partly fuelled by the release of tenant space, such as DoJo's space at EQ and BBC Studios' space at Bridgewater House. While activity in the CBD has strengthened, demand for space in Clifton and the city fringe has weakened, resulting in increased availability, much of which is of compromised quality. Meanwhile, landlords have become more willing to offer fitted suites, with this type of solution allowing them to better compete with flexible office providers, with examples including Crescent and Blok.

The Welcome Building is the sole new build development to reach practical completion in 2025, and less than a quarter of its space remains available (49,850 sq ft) following lettings to DAC Beachcroft, Unite and Hargreaves Lansdown. Several comprehensive refurbishments also completed in 2025, including 3 Rivergate (75,000 sq ft), which is 50% let to AECOM, DNV and Wittenstein; and Queens Quay (30,274 sq ft), which is yet to secure its first tenant.



One Friary, Temple Quay, where completion is scheduled for Q1 2026

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RELYING ON REFURBS

The development pipeline is relatively constrained and is comprised of three comprehensive refurbishments. These include Waybourne's 1 St George's Square (65,700 sq ft), where completion is imminent; and two schemes set for delivery during H1 2026, namely APAM's One Friary (59,352 sq ft) and Skelton's Embarq (30,436 sq ft).

Despite a strong case for development, there remain few sites deemed certain to come forward in 2026. Studio Hive has planning consent for 70,000 sq ft of effective new build, using the listed frame of the former Ardman stores on Silverthorne Lane. Major refurbishments in the pipeline include Blackrock's Portwall Place (152,000 sq ft), which is anticipated to start on site in Q1 2026; and McTaggart and Kinrise's Canons Wharf, which is committed to start in the first half of the year.

While the above schemes will meet demand in the short term, the market is set for a supply crunch by 2028/29, with other developments coming forward unlikely to be ready until at least then. Potential schemes under discussion include 3&4 Distillery, One Passage Street, Two Rivergate and One Rivergate.

Meanwhile, grade A supply remains scarce out of town, and no developments are expected to come forward in the medium term. Further ahead, YTL Development's Brabazon, a major regeneration project on the former Filton Airfield, is set to deliver high-quality space, although this is unlikely to be delivered before 2028/29. Brabazon is expected to emerge as a good alternative to Aztec West, attracting occupiers seeking high-quality space. This shift in demand could result in more buildings at Aztec being repurposed for alternative uses.

RENTS TURNING FIFTY

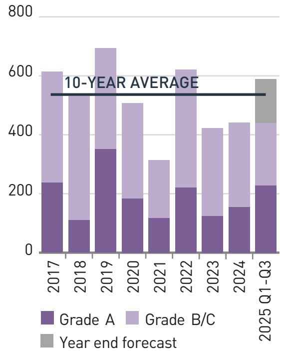
Limited best-in-class supply and a flight to quality have continued to drive upward pressure on prime rents. In the city centre, a new benchmark of £50.00 per sq ft was set by Birketts' 8,458 sq ft expansion at EQ. Other transactions at the EQ and Welcome Building have achieved rents of £48-49 per sq ft, with occupiers clearly willing to pay a premium for new amenity-rich, modern offices.

Prime rents are expected to rise further-still by the year-end, with Graphcore currently under offer at 1 Georges Square at £52.00 per sq ft. One Friary is expected to push rents into the mid-£50s upon completion in 2026, coinciding with a period of limited new supply. Prospective developers are closely monitoring its performance, with quoting rents expected to be £55-60 per sq ft.

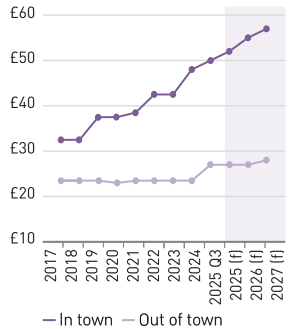
Meanwhile, good quality refurbished space has seen steady growth, with pricing now firmly established in the mid-£40s per sq ft. This reflects both the shortage of supply and the reality that developers cannot viably deliver high-quality stock below this level.

Offering a substantial discount to the city centre, the out of town market also achieved a new headline rent in 2025, with £27.50 per sq ft set at 1000 Aztec West. However, this level has yet to be established more broadly across the market, and further growth will depend on the delivery of higher-quality stock. Longer term, development delivered at Brabazon should set new rental benchmarks for the out of town market.

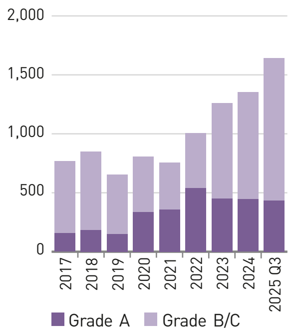
TAKE-UP (000 SQ FT)



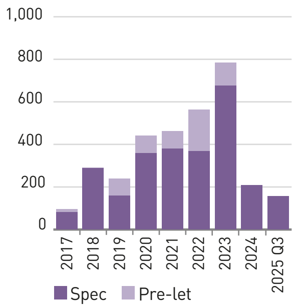
PRIME HEADLINE RENT (£ PER SQ FT)



AVAILABILITY (000 SQ FT)



UNDER CONSTRUCTION (000 SQ FT)



MARKET AT A GLANCE

FORECAST 2025 TAKE-UP VS 10-YEAR AVERAGE

+9%

YEARS OF SUPPLY

3.0

GRADE A SHARE OF SUPPLY

26%

PRIME YIELD

6.50%

Q3 2025 HEADLINE RENT (PER SQ FT)

£50.00

KEY SELECTED TRANSACTIONS

Quarter	Property	Size (sq ft)	Occupier	Rent (per sq ft)
2025 Q3	Welcome Building	90,362	Hargreaves Lansdown	Confidential
2025 Q1	Crescent	22,892	OVO	£47.50
2025 Q3	One Hundred	22,115	Mott MacDonald	£42.50
2025 Q3	3 Rivergate	10,524	Wittenstein	£44.00
2025 Q3	EQ	8,458	Birketts	£50.00

Source: LSH Research

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ROYAL MEAD REIGNS

Grade A supply continues to dwindle and, with no new projects in the immediate pipeline, strong rental growth has been seen at existing schemes.

SERVICED OFFICE BOOM

Bath is on track to exceed its 10-year average office take-up for the second consecutive year in 2025, underscoring the resilience of demand. Take-up reached close to 60,000 sq ft in the first three quarters of 2025, driven in large part by Buro Happold's short-term lease of c. 30,000 sq ft at Pinesgate East. This temporary move precedes the consultancy firm's planned relocation to Pinesgate West, which is to be comprehensively refurbished, expanding its operations from Camden Mill. Other notable transactions in 2025 include Wealthtime's letting of a total of 10,928 sq ft across two floors at Royal Mead, and Equisoft's 6,829 sq ft deal at the same building.

Bath's appeal to small and growing businesses continues to support the expansion of serviced office providers. Following commitments made in 2024, this year has seen the opening of Runway East at Kings Court and Gather Road at Trinity Church, both of which have added to the city's increasingly diverse flexible workspace offering. These openings reflect a broader trend, with occupiers seeking short-term, high-quality solutions that offer both convenience and community.

LIMITED GRADE A OPTIONS

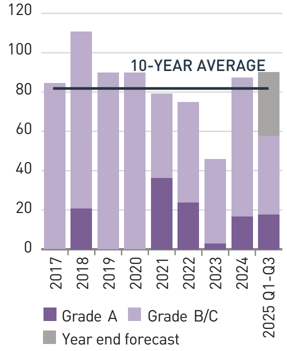
While overall supply was stable throughout 2025, grade A space is critically constrained. At the end of Q3 2025, total availability stood at c.200,000 sq ft, less than 10% of which is grade A. With no office developments in the immediate pipeline, supply constraints are expected to become more acute. Meanwhile, the out of town market remains subdued, with limited stock and weak demand contrasting with the city centre's dominance.

Following the recent lettings at Royal Mead, No.1 Bath Quays is now the only remaining high-quality option, but space is limited to circa 10,000 sq ft split across three part-floors. While serviced office supply is healthy, some landlords are responding to demand by offering fitted small suites to compete with the flexible workspace sector.

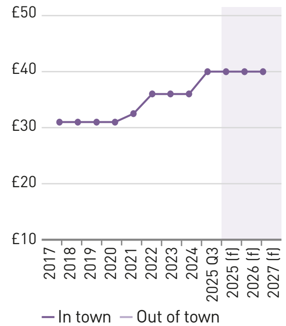
RENTS MOVE UP

Wealthtime's lease on the top floor of Royal Mead secured a new prime headline rent of £40.00 per sq ft. This reflects the building's exceptional amenities, including roof terraces, strong ESG credentials, and its prime location, just a short walk from Bath Spa station. With no comparable space currently available, prime rents are expected to hold at this level until new development is delivered. Incentives have remained stable over the past 12 months, typically ranging from 1.5 to 2 months' rent free per year of term certain.

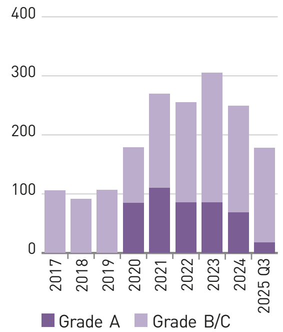
TAKE-UP (000 SQ FT)



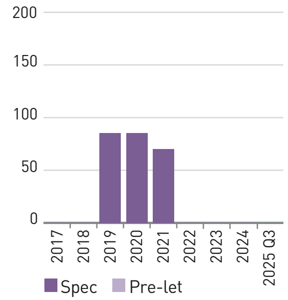
PRIME HEADLINE RENT (£ PER SQ FT)



AVAILABILITY (000 SQ FT)



UNDER CONSTRUCTION (000 SQ FT)



MARKET AT A GLANCE

FORECAST 2025 TAKE-UP VS 10-YEAR AVERAGE

+9%

YEARS OF SUPPLY

2.2

GRADE A SHARE OF SUPPLY

10%

PRIME YIELD

7.75%

Q3 2025 HEADLINE RENT (PER SQ FT)

£40.00

KEY SELECTED TRANSACTIONS

Quarter	Property	Size (sq ft)	Occupier	Rent (per sq ft)
2024 Q4	Kings Court, Parsonage Lane	19,623	Runway East	Management agreement
2025 Q3	Royal Mead	6,836	Wealthtime	£38.50
2025 Q3	Royal Mead	6,829	Equisoft	£37.50
2025 Q3	Royal Mead	4,092	Wealthtime	£40.00

Source: LSH Research

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EXETER

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SERVICING DEMAND

While Exeter's out of town market has a persistent overhang of grade A supply, an improvement in activity has underpinned respectable take-up in 2025.

BOUNCE-BACK

Despite wider economic uncertainty, Exeter's office market showed improvement in 2025, with take-up in the first three quarters totalling 109,900 sq ft, up 41% on the same period in 2024. This was due to a significant improvement in activity, with the total number of deals reaching 35 compared with only 27 over the same period last year, the largest being BB Accountants Ltd's 9,570 sq ft lease at 13-15 Southernhay West.

Taking Q4 into account, 2025 take-up is forecast to sit 11% below the long-term annual average and only marginally below 2024's total. This is significant given that 2024 included the largest Exeter office deal in over 30 years – IWG's 25,768 sq ft lease at Longbrook House in Q4 – which was one of only two grade A deals over the past two years, the other being Foot Anstey's 5,245 sq ft lease at Broadwalk House.

Reflecting strong occupier demand for flexible solutions, serviced office operators have featured prominently in recent occupier activity. The most recent example is IWG's expansion, which has taken the amount of serviced office space to c. 150,000 sq ft, or 10% of total town centre stock.

OUT OF TOWN OVERHANG

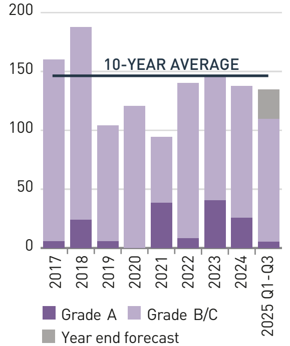
Overall supply edged down by 1% during 2025 to 432,666 sq ft. Out of town supply increased by 21%, while town centre availability decreased by 39% to stand at 95,953 sq ft, reflecting both stronger occupier activity and demand for alternative uses. As a result, out of town stock now represents 78% of total supply, compared with 64% at the end of 2024.

Grade A space represents 33% of Exeter's total supply, with the majority concentrated in just two out of town buildings: Gadeon House (58,481 sq ft) and Clyst House (43,363 sq ft). Grade A supply in Exeter's town centre is scarce, totalling 16,012 sq ft across five buildings, with the largest single floorplate being 4,759 sq ft at Broadwalk House. Looking ahead, two part-floors at Woodwater House, Pynes Hill will be coming to the market in late 2025 totalling 20,000 sq ft and providing best-in-class space for Exeter's out of town market.

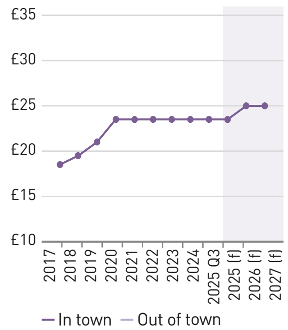
WAITING FOR GROWTH

Exeter's prime headline rent has held at £23.50 per sq ft over the past five years, reflecting a lack of new build development and constrained grade A supply. However, prime headline rents may well rise to £25.00 per sq ft in 2026, supported by the delivery of potential refurbishments. Stronger growth beyond this level into the £30s per sq ft is held back by a complete lack of new build pipeline schemes in the city centre.

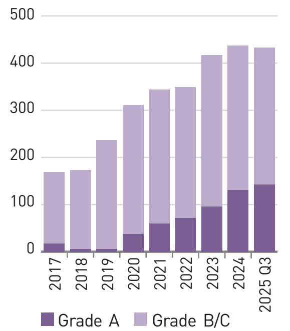
TAKE-UP (000 SQ FT)



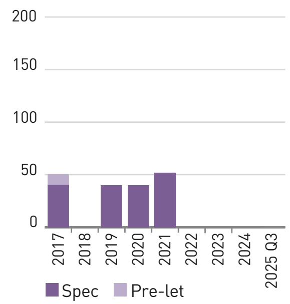
PRIME HEADLINE RENT (£ PER SQ FT)



AVAILABILITY (000 SQ FT)



UNDER CONSTRUCTION (000 SQ FT)



MARKET AT A GLANCE

FORECAST 2025 TAKE-UP VS 10-YEAR AVERAGE

-11%

YEARS OF SUPPLY

2.9

GRADE A SHARE OF SUPPLY

33%

PRIME YIELD

8.25%

Q3 2025 HEADLINE RENT (PER SQ FT)

£23.50

KEY SELECTED TRANSACTIONS

Quarter	Property	Size (sq ft)	Occupier	Rent (per sq ft)
2025 Q1	Longbrook House	25,768	IWG	£22.00
2025 Q1	13-15 Southernahy West	9,570	BB Accountants Ltd	Confidential
2025 Q3	Keble House	7,707	First to Protect	£16.50
2025 Q1	Brook House	7,561	Bishop Fleming	£23.50

Source: LSH Research

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BIRMINGHAM

FLYING OVER FIFTY

While take-up has been subdued in 2025, core city centre demand remains buoyant, evidenced by impressive rental growth for prime schemes.

CORE PERFORMS

While 2025 is on course to be an unremarkable year for city centre take-up, it is set to finish with a flourish. Take-up is expected to hit c. 300,000 sq ft in Q4, underpinned by EY's long-awaited move for 94,000 sq ft at Three Chamberlain Square and further boosted by Deloitte (46,000 sq ft) and Eversheds (46,000 sq ft) completing at One Centenary Way and Three Chamberlain Square respectively by the year-end.

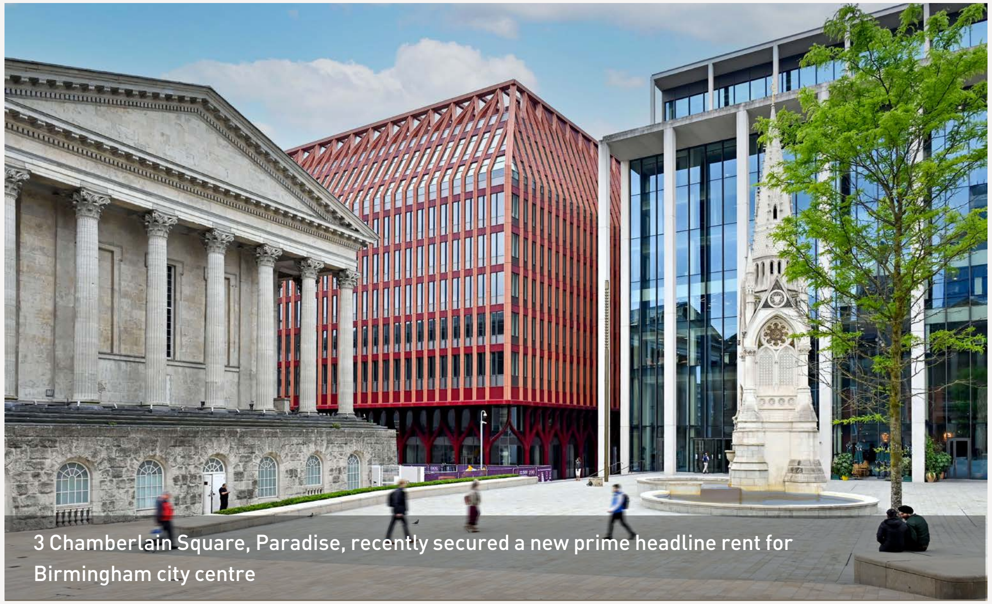
In spite of the strong finish to the year, the predicted annual total of c. 650,000 sq ft equates to the weakest outturn since the pandemic-afflicted year of 2020. The subdued overall picture for 2025 is largely down to a shortage of large-scale deals seen during Q1-Q3, with no transactions above 30,000 sq ft recorded over the period. However, activity has been relatively robust with 71 deals over Q1-Q3, only 7% below the 10-year average. The core area of the CBD has also been more resilient, with much of this year's weakness reflected in fringe areas, where supply is typically lower quality.

While downsizing remains an influence on requirements, it is not one-way traffic. Reflecting improving staff occupancy, increased instances of expansion are now being seen following initial moves to consolidate in the wake of the pandemic. One notable example is Forvis Mazars, whose 22,500 sq ft lease at Three Chamberlain Square in Q3 represents a doubling of its existing footprint at Two Chamberlain Square and is back in line with its pre-pandemic requirements.

KEEP ON FLEXING

Serviced office operators remain active with numerous flex providers seeking to expand or enter the Birmingham market. This trend also extends to managed agreements with single occupiers, with Covalt's 27,000 sq ft deal at 1 Victoria Square providing 2025's largest deal before EY's landed in Q4, albeit it took over a centre that was recently vacated by IWG. That said, the serviced market is very dynamic and 2025 is likely to see an overall reduction in the flex space footprint in the city, given that Spaces downsized at Crossway and is exiting completely from The Mailbox (50,000 sq ft).

Demand for fully-fitted suites continues to expand but supply has not quite taken off in 2025, reflecting landlord concerns over high fit-out costs. Delivery volume in the city core is down on last year, with 2025 set to see 43,000 sq ft over 19 suites compared with 50,000 sq ft across 14 suites in 2024. However, landlords that have committed have been rewarded; Carter Jonas' 3,322 sq ft lease at 81 Colmore Row achieved a new record rent for fully-fitted space in the city, agreed at c. £55 per sq ft in Q3.



3 Chamberlain Square, Paradise, recently secured a new prime headline rent for Birmingham city centre

SUPPLY EDGES DOWN

Inclusive of developments completing within six months, total supply in the city centre stands at just over 2m sq ft and has consistently been at roughly this level for much of the past decade. Placed into context, current supply equates to 2.7 years of average annual take-up, albeit much of this is frankly obsolete and requires either significant investment or repositioning to alternative uses.

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Grade A supply appears relatively ample, standing at c. 883,307 sq ft, but only 650,000 sq ft when under offer space is excluded - equivalent to around 1.8 years of average grade A demand. However, the picture is more nuanced. Prime schemes in the city core have let up aggressively. Sterling and Rockspring's 103 Colmore Row has just one floor of 12,200 sq ft remaining following its delivery in 2023, while all of MEPC's Three Chamberlain Square has either let-up or is under offer before its imminent completion.

This leaves only two prime built options available in the city core, namely 19 Cornwall (124,400 sq ft) and Multistory (75,600 sq ft). Other prime schemes available elsewhere in the city centre include Enterprise Wharf (117,000 sq ft) in the Knowledge Quarter and 10 Brindleyplace (140,600 sq ft), both of which have not benefitted from the same leasing velocity as the city core schemes.

CONSTRAINED PIPELINE

The development pipeline is relatively limited by recent standards, with 540,000 sq ft under construction (net of pre-lets) and comprising a mix of new builds and comprehensive refurbishments. Alongside Three Chamberlain Square, expected completions within the next 12 months include 35 Newhall Street (55,000 sq ft) and King Edward House (78,500 sq ft), both of which are comprehensive refurbishments; and 1 Beorma Place (152,200 sq ft), which forms part of the Kuwaiti-funded Beorma Quarter mixed-use development in the Digbeth area.

Two additional comprehensive refurbishments recently commenced on site in Q3 2025, namely V7/Marlborough's 90 Colmore Row (32,000 sq ft) and Ashtrom's 170,000 sq ft Colmore Gate scheme, with completion scheduled in 2026 and 2028 respectively.

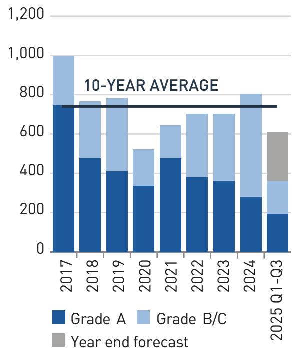
Beyond the above, little is currently expected to commence construction speculatively over 2026, and this could set the grounds for a potential supply crunch in the city core over the coming years. The only large-scale possibilities are Kier committing to deliver the 280,000 sq ft 5 Centenary Square scheme, albeit this is far from certain; and a refurbishment of UBS's 120 Edmund Street (170,000 sq ft), which the GPA had been under offer to take but failed to secure cabinet approval.

ROARING INTO THE FIFTIES

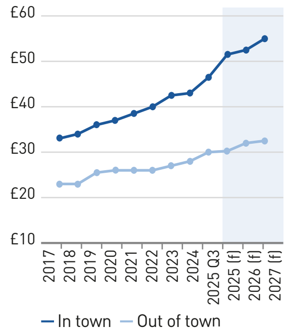
Birmingham's prime headline rent has moved on again during 2025 to stand at £46.50 per sq ft, a rise of almost 10% year-on-year. However, the benchmark is expected to break through the £50 barrier before the end of 2025. Eversheds is rumoured to be under offer at Three Chamberlain Square at £51.50 per sq ft, while other schemes capable of achieving over £50 per sq ft include the last remaining floor at 103 Colmore, 90 Colmore Row and Colmore Gate.

Further meaningful rental growth beyond this level is largely reliant on additional prime schemes being brought forward in the city core. That said, strong rental growth might be expected to begin to ripple down to well-located high-quality refurbishments that lack some of the amenities associated with prime buildings, with the tone moving from £40.00 per sq ft currently to c.£45.00 per sq ft over the next 18-24 months. This growth will be key to attracting developers into the refurbishment space.

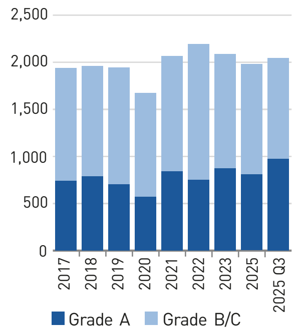
TAKE-UP (000 SQ FT)



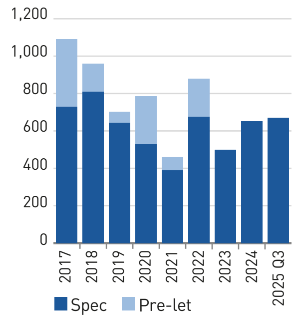
PRIME HEADLINE RENT (£ PER SQ FT)



AVAILABILITY (000 SQ FT)



UNDER CONSTRUCTION (000 SQ FT)



MARKET AT A GLANCE

FORECAST 2025 TAKE-UP VS 10-YEAR AVERAGE

-18%

YEARS OF SUPPLY

2.7

GRADE A SHARE OF SUPPLY

48%

PRIME YIELD

6.50%

Q3 2025 HEADLINE RENT (PER SQ FT)

£46.50

KEY SELECTED TRANSACTIONS

Quarter	Property	Size (sq ft)	Occupier	Rent (per sq ft)
2025 Q1	10 Brindleyplace	25,107	Phoenix Life	£32.50
2025 Q3	3 Chamberlain Square	22,648	Forvis Mazars LLP	£46.50
2025 Q3	19 Cornwall Street	22,231	Squire Patton Boggs	£40.00
2025 Q2	3 Chamberlain Square	16,458	CBRE	£46.00
2025 Q3	81 Colmore Row	3,322	Carter Jonas	£55.00

Source: LSH Research

MANCHESTER

STILL ON FORM

Driven by a clear flight to quality, new prime space entering the Manchester market has leased well, putting continued upward pressure on headline rents.

MOMENTUM MAINTAINED

The Manchester city centre office market has maintained strong momentum in 2025, with 773,270 sq ft transacted over the first three quarters, bringing take-up for the last 12 months to 1.1m sq ft. The largest deals completed during Q1-Q3 were Trader Media's relocation to 3 Circle Square in Q1 (130,000 sq ft); Havas's deal at the same building in Q2 (31,000 sq ft); and Softcat's lease at Manchester Goods Yard in Q2 (35,391 sq ft).

Leasing activity slowed a little in Q3 with only three deals over 15,000 sq ft, namely Global Draw's 20,153 sq ft deal at the XYZ building and deals to ICO and Puma at 3 Circle Square, both of c. 19,900 sq ft. However, a strong finish to the year is anticipated, with several large deals either already completed during early Q4 or due to transact by the quarter-end. The most notable of these are GPA's 110,000 sq ft lease at Havelock and JMW's 42,260 sq ft deal at 125 Deansgate.

As a result, a substantial 400,000 sq ft of take-up is forecast for Q4, taking annual take-up for 2025 to c. 1.2m sq ft, roughly in line with both the ten-year average and 2024's five-year high.

FLIGHT TO QUALITY

The market continues to see a flight to quality, with prime space accounting for 22% of Manchester city centre take-up over the last twelve months, despite representing only c. 4% of total current availability. However, occupiers are now facing a dwindling supply of best-in-class options at Manchester's three BCO-recognised super-prime schemes – No.1 St Michael's, No.1 St Peter's Square and No.1 Spinningfields – with current availability limited to only 5,500 sq ft at No.1 Spinningfields.

Despite healthy levels of demand within the market, deals are taking longer to get over the line, reflecting a combination of occupier indecisiveness, the changing commercial landscape and the length of time taken for legals to conclude. The education sector remains a strong source of demand, with several active requirements, albeit this is tempered by local authority considerations around the number of centres opening in the city.

SHIFTING DEMAND

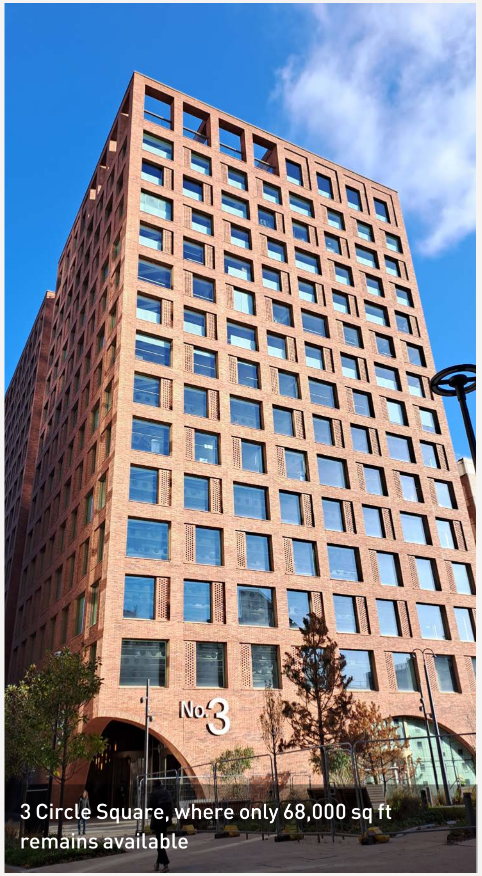
While moves to consolidate into smaller, better quality offices are still a driver of demand, expansionary moves are equally commonplace. The current shape of demand can be more accurately described as 'right-sizing', rather than 'down-sizing', as occupiers are giving careful thought to configurations and space allocations suited to expanded hybrid working.

The flex market remains buoyant, with a number of new operators looking to enter the Manchester market with requirements in excess of 20,000 sq ft. Despite this, there was an absence of serviced office take-up in the first three quarters of 2025, compared with a record 212,500 sq ft in the same period last year. Activity in this part of the market is being impacted by landlords reassessing the cost benefits of management agreements compared with self-funded Cat B fit outs.

ALL EYES ON CIRCLE SQUARE

Total supply has fallen over 2025 to stand at 3.6m sq ft in Q3, the lowest in two years and equivalent to 2.9 years of average annual take-up. This was mainly due to a notable fall in the amount of grade A space, which decreased by 22% to 1.3m sq ft despite continued development completions, and is now equivalent to only 1.8 years of average annual take-up.

The main driver of the fall in grade A availability was the successful letting up of 3 Circle Square, which took 200,815 sq ft of prime space out of the market across four deals, representing a significant 59% of year-to-date grade A take-up. Strong demand for prime space is mirrored elsewhere with Plot 9A First Street, which PC'd in Q1 2025, fully pre-let to the Government Property Agency (130,900 sq ft). As a result of recent take-



3 Circle Square, where only 68,000 sq ft remains available

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up, the only sizeable prime spaces currently on the market are 48,622 sq ft at The Island, 60,000 sq ft at 3 Circle Square and 30,000 sq ft at Aviary.

The refurbishment and repositioning of 1 Hardman Boulevard as The Metropolitan will deliver 350,000 sq ft of much-needed prime grade A accommodation, while phase 2 of No.1 St Michael's (75,000 sq ft) is already drawing strong interest and expected to be fully let ahead of its Q1 2027 completion. Three additional substantial schemes are the pipeline, namely The Alberton (219,000 sq ft), Rylands (300,000 sq ft) and The Republic (350,000 sq ft), all of which are at the early stages of construction with delivery anticipated in 2027/28. For occupiers seeking prime offices, 2026 marks a clear development lag during which available supply will not meet prevailing demand.

While new best-in class schemes have seen rapid take-up, there remains a persistent and substantial supply of other grade A and secondhand options. Grade B/C supply stood at 2.3m sq ft in Q3, down only 9% on Q4 2024's record high.

ALTERNATIVE OPTIONS

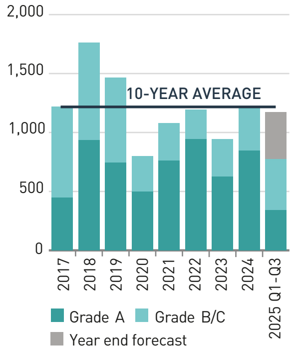
Grey space remains a compelling option for occupiers, offering opportunities to lease fully fitted space with unexpired lease lengths in excess of five years, below current headline rents. Softcat's move to Manchester Goods Yard in Q2 (35,391 sq ft) is the most prominent recent example of this type of deal.

The rapid evolution of the fitted space market is boosting the marketing potential of many other buildings across the city centre, especially those that are slightly compromised. This is steadily becoming key to attracting demand into good, albeit 'non-prime' buildings, particularly at the smaller end of the market, with notable examples including Windmill Green, Corner Block and 44 Peter Street.

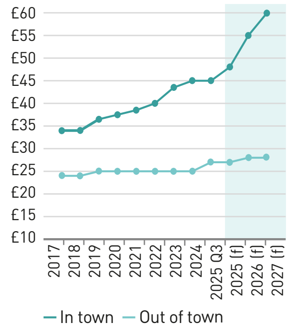
MOVING INTO THE FIFTIES

Prime rents are subject to significant upward pressure due to strong occupier demand for best-in-class space and the strong absorption of prime supply. The current prime rent of £45.00 per sq ft was set by Channel 4's lease of the last remaining space at No.1 St Michael's (12,550 sq ft) in Q4 2024, but this is likely to be beaten in the near future, with a new headline rent of £48.00 per sq ft expected to be achieved by the end of 2025. The arrival of new schemes such as phase 2 of No.1 St Michael's is forecast to push rents above the £50.00 per sq ft mark in 2026.

TAKE-UP (000 SQ FT)



PRIME HEADLINE RENT (£ PER SQ FT)



MARKET AT A GLANCE

FORECAST 2025 TAKE-UP VS 10-YEAR AVERAGE
-5%

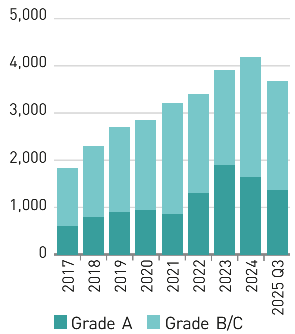
YEARS OF SUPPLY
3.0

GRADE A SHARE OF SUPPLY
37%

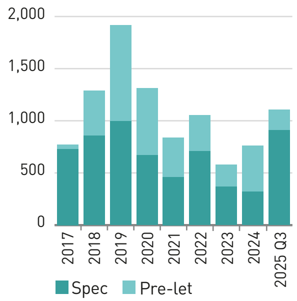
PRIME YIELD
6.50%

Q3 2025 HEADLINE RENT (PER SQ FT)
£45.00

AVAILABILITY (000 SQ FT)



UNDER CONSTRUCTION (000 SQ FT)



KEY SELECTED TRANSACTIONS

Quarter	Property	Size (sq ft)	Occupier	Rent (per sq ft)
2025 Q1	3 Circle Square	130,000	Trader Media	£41.00
2024 Q4	Island	45,744	Virgin Media	£44.00
2025 Q2	Manchester Goods Yard	35,391	Softcat	£32.50
2025 Q2	3 Circle Square	31,000	Havas	£41.00
2025 Q3	3 Circle Square	19,985	Puma	£38.50

Source: LSH Research, MOAF

LEEDS

GROWTH IN THE AIRE

While the delivery of prime quality space into the market has driven a sharp upward change in prime headline rents, the pipeline is comparatively thin at present.

TAKE-UP BACK ON TRACK

Take-up in the city centre fluctuated through 2025. Following a very subdued Q2, when take-up slumped to a three-year low, activity rebounded to 156,000 sq ft in Q3, 7% above the same period of 2024. With a similar outturn forecast in Q4, annual take-up for 2025 is on track to finish marginally above both the ten-year average and 2024's level, at c. 650,000 sq ft.

Notably, grade A space has accounted for a comparatively modest 57% of take-up over 2025 to Q3, slipping from 64% in 2024 and 2023's record high of 73%. The focus of corporate demand remains strongly focused towards high quality buildings, with the result largely down to an increasingly limited supply of best-in-class options in prime locations.

While activity improved over summer, with Q3's 33 deals rising from only 20 in Q2, a key boost to take-up came from Eversheds Sutherlands' 47,000 sq ft pre-let at Kellstone, Aire Park. This is Leeds' largest grade A deal of 2025 to date, and will see the legal firm relocate from its current premises at Bridgewater Place, once the scheme completes in 2027. Given its prime status and location on the South Bank, Vastint's Aire Park has been a focus of larger deal activity in 2025, attracting TPT Retirement Solutions (22,260 sq ft) and Interactive Investor (23,270 sq ft) at 3 South Brook Street during Q1.

AN EVOLVING MARKET

The expansion of hybrid working since the pandemic continues to influence demand. Downsizing continues in some sectors, but tech, finance, and professional services are driving larger requirements. In typical fashion, professional services continues to take the leading share of demand in the city. The sector accounted for 26% of total take-up over the year to Q3 2025, some way ahead of Retail, Distribution and Transport's 16% share, which was bolstered Network Rail's 108,000 sq ft freehold purchase of Princes Exchange in Q1, the year's biggest deal.

Demand is also increasingly focused on flexibility, especially so in the SME market. Fitted suites of below 3,000 sq ft are more typical although larger fitted solutions are emerging of up to 5,000 sq ft to enhance letting prospects, with notable examples including 7 Park Row and 34 Boar Lane. Meanwhile, service office providers remain acquisitive, evidenced by 2-Work's lease of 18,417 sq ft at One Whitehall Riverside and 8,464 sq ft at St

Aire Park, where 130,000 sq ft remains available across across two buildings

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Albions during Q3, with additional openings from existing players such as IWG.

OUT OF TOWN SHORT ON QUALITY

The out of town market has fared less well through 2025, with take-up for the year forecast to hit circa 250,000 sq ft, approximately 15% below average. Notably, the only grade A deal in 2025, and the only deal of real magnitude, was serviced office provider 2-Work's 19,500 sq ft lease at the ABC Building, White Rose Park, Leeds' premier out of town location. While the out of town market suffers from a lack of grade A options, the market is set to be boosted in 2026 by Yorkshire Water's planned relocation from Bradford to Leeds Valley Park.

PRIME ABSORPTION

Following a sharp rise in 2024, total city centre supply has been broadly steady throughout 2025, now standing at a 12-year high of c. 2.0m sq ft. While there is an elevated and persistent supply of secondhand space on the market, occupier flight to quality has driven healthy absorption of best-in-class space. Since the start of 2025, grade A space has fallen by 34% to stand at a four-year low of 405,000 sq ft, reflecting the steady take-up of prime schemes delivered over the past two years.

The two up-and-built buildings at Aire Park – namely Buildings 1 and 3, South Brook Street – have performed well having initially struggled to attract pre-lets during construction. While multiple floors are now let, they continue to provide the largest options, offering around 130,000 sq ft between them. The only other prime options in the city centre comprise the last remaining suite at MRP's City Square House (5,620 sq ft) and Bruntwood SciTech's West Village (13,350 sq ft).

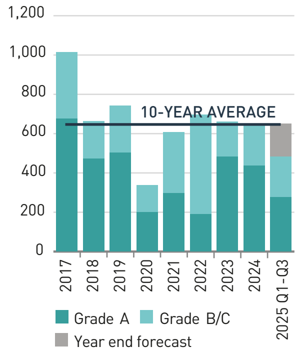
LIMITED PIPELINE

Given limited opportunities in the pipeline, the letting prospects of the remaining prime space are strong. Only two schemes are presently coming forward across the Leeds market, both of which will be delivered in 2027, namely the remaining space at Kellstone, Aire Park (29,000 sq ft) and Prescient Capital's 31 Wellington Street (77,000 sq ft). 9 Wellington Place (176,400 s ft) marks the next major phase of Prescient's Wellington Plaza scheme, albeit this is currently reliant on securing a pre-let, while a comprehensive refurbishment of 2 Wellington Place (119,000 sq ft) is due to commence imminently.

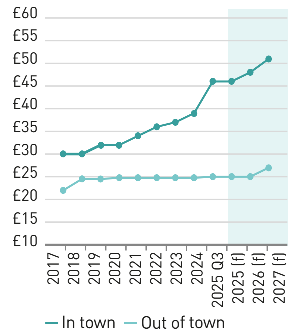
EDGING TO LATE FORTIES

Eversheds Sutherland's commitment at the Kellstone propelled Leeds' prime headline rent to £46.00 per sq ft, representing an 18% year-on-year step change in the benchmark. While further meaningful growth beyond this level will likely depend on schemes such as 31 Wellington Street coming forward or pre-lets being secured at 9 Wellington Place, refurbished space is now in line to see stronger growth, with hopes that 2 Wellington Place will achieve high £40s per sq ft. Meanwhile, out of town prime rents are languishing by comparison, with a lack of quality product responsible for marginal growth over recent years.

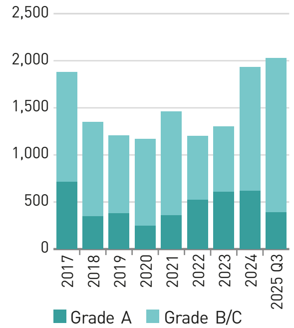
TAKE-UP (000 SQ FT)



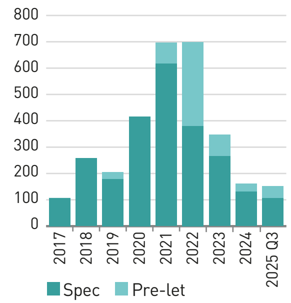
PRIME HEADLINE RENT (£ PER SQ FT)



AVAILABILITY (000 SQ FT)



UNDER CONSTRUCTION (000 SQ FT)



MARKET AT A GLANCE

FORECAST 2025 TAKE-UP VS 10-YEAR AVERAGE

+1%

YEARS OF SUPPLY

3.1

GRADE A SHARE OF SUPPLY

19%

PRIME YIELD

6.75%

Q3 2025 HEADLINE RENT (PER SQ FT)

£46.00

KEY SELECTED TRANSACTIONS

Quarter	Property	Size (sq ft)	Occupier	Rent (per sq ft)
2025 Q3	Keelstone	47,016	Eversheds	£46.00
2025 Q1	3 South Brook Street, Aire Park	23,261	TPT Retirement Solutions	£36.00
2025 Q1	3 South Brook Street, Aire Park	23,270	Interactive Investor	£38.00
2025 Q2	No.1 Whitehall Riverside	17,124	JN Bentley	£25.00
2025 Q2	1 City Square	10,047	HGF Limited	£40.00

Source: LSH Research

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PINCH ON PRIME

DWP's major pre-let has underpinned a stellar 2025 for the city centre, while landlords pivot to refurbishments amid constrained new-build supply.

GOVERNING TAKE-UP

With the final quarter still to be counted, 2025 is on course to be the second strongest year for take-up across Newcastle city centre in more than two decades. At 394,887 sq ft, take-up in the year to Q3 has already surpassed the full-year totals of the past three years. This stellar showing was underpinned by the Department for Work and Pensions' 173,245 sq ft deal at 1 Pilgrim Place in Q1, the largest office letting outside London in 2025 to date.

Other sizeable lettings in the year included a 35,836 sq ft deal at Bank House to another government body in Q3, and Atom Bank's 32,941 sq ft lease at the Pattern Shop Building in Q2, as it relocates from Durham. A further 30,000 sq ft is currently under offer at The Spark to a confidential occupier, although Q4 is expected to be more subdued as occupier decision-making slows amid heightened macroeconomic uncertainty.

GRADE A ABSORPTION

Despite strong take-up, supply has increased by 16% during 2025 to reach c.700,000 sq ft, equivalent to 2.7 years of average annual take-up. However, grade A space accounts for only 36% of this, reflecting continued absorption of high-quality stock. A key example is Bank House, which has now reached full occupation following its completion in late 2023.

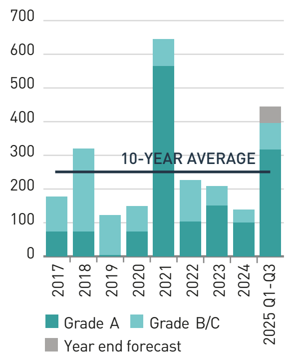
Development activity has slowed appreciably after a spike in activity over the past three years. With fewer new builds in the pipeline, landlords are pivoting toward refurbishments and Cat B fit-outs to meet demand for more modern and flexible solutions.

Following the approval of revised plans in June, 2 Pilgrim Place is under construction which will deliver circa 90,000 sq ft in 2027. Offering 100,000 sq ft, Founders Place remains the only other major scheme in the pipeline, albeit this is likely to require a substantial pre-let commitment before proceeding. Market sources suggest a headline rent of c. £38.00 per sq ft will be required to enable viability at the scheme.

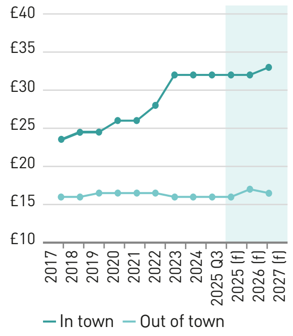
PRIME RENTS HOLD STEADY

The prime headline rent remains stable at £32.00 per sq ft, established at Bank House following Cubo's lease in 2023. In the absence of new-build supply, the next step change in the prime tone is likely to come from 2 Pilgrim Place or a pre-let at Founders Place. In the meantime, rental growth is more likely to be seen through quality refurbishments in prime locations. Incentives have remained broadly consistent over the past 12 months, typically six months rent-free for a three-year term, and nine months or more for a five-year term.

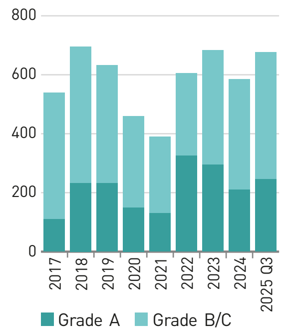
TAKE-UP (000 SQ FT)



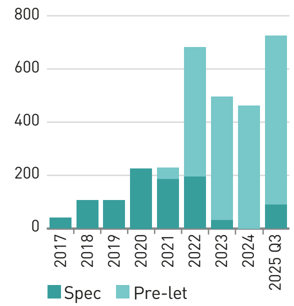
PRIME HEADLINE RENT (£ PER SQ FT)



AVAILABILITY (000 SQ FT)



UNDER CONSTRUCTION (000 SQ FT)



MARKET AT A GLANCE

FORECAST 2025 TAKE-UP VS 10-YEAR AVERAGE
+80%

YEARS OF SUPPLY
2.7

GRADE A SHARE OF SUPPLY
36%

PRIME YIELD
8.25%

Q3 2025 HEADLINE RENT (PER SQ FT)
£32.00

KEY SELECTED TRANSACTIONS

Quarter	Property	Size (sq ft)	Occupier	Rent (per sq ft)
2025 Q1	No.1 Pilgrim Place	173,245	DWP	Confidential
2025 Q3	Bank House	35,836	GPA	£30.00
2025 Q2	The Pattern Shop, Founders Place	32,491	Atom Bank	Confidential
2025 Q1	The Spark	20,690	Nexus	Confidential
2025 Q1	The Lumen	13,998	DVSA	£30.00

Source: LSH Research

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RAISING THE BAR

While Sheffield has a persistent overhang of secondhand supply, flight to quality is driving real progress in the city centre market, with prime buildings powering rental growth.

BUSY ENOUGH

The market has remained busy over 2025 although a lack of large deals has weighed on take-up. Just three transactions over 10,000 sq ft took place in the year to Q3, the largest being Taylor & Emmett's 14,855 sq ft lease at the Isaacs Building in Q2. However, take-up is likely to improve in the coming months with the entirety of No.1 West Bar Square presently under offer, a 100,000 sq ft scheme that completed in 2024 and forms part of a major £300m mixed-use development funded by L&G.

Demand is steady, with a mix of expansions, inward investments and consolidations driving requirements, the latter often being satisfied through fitted or flexible solutions. Reflecting flight to quality, demand has been more resilient in the city centre, evidenced by a higher frequency of deals compared with the out of town market, where quality is generally lacking and demand is driven by affordability and parking.

PRIME ABSORPTION

Overall supply has edged down marginally in recent times but remains elevated, standing at 1.5m sq ft and equivalent to 3.4 years of average annual take-up. However, much of this comprises a persistent overhang of secondhand space, with only c. 200,000 sq ft of grade A offices available excluding space under offer.

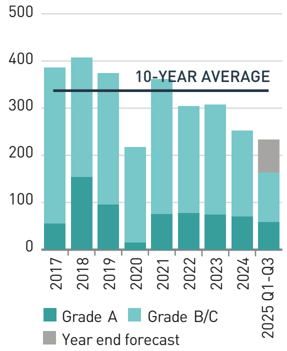
In the Heart of the City area, the Isaacs Building and Elshaw House have performed well since completing in 2023, with their high specification spurring progress in the market. Only 5,453 sq ft remains at the Isaacs Building while Elshaw House (46,000 sq ft) is likely to be taken in its entirety by a single occupier in early 2026. With No. 1 West Bar spoken for, there is a real possibility that Sheffield will be devoid of available prime space during 2026.

The pipeline is limited, with the sole scheme slated to come forward being 190 Norfolk Street (c. 20,000 sq ft). Demolition of the present building on the site is expected in January 2026, with delivery slated for late 2027. Located along the inner ring road, the West Bar site is key to future supply over the coming years, with a further 450,000 sq ft of office space proposed, albeit timings of the next phase are yet to be announced.

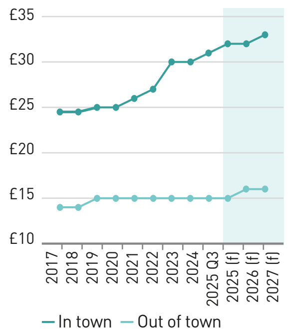
PAYING FOR THE QUALITY

While rents have stagnated in the secondary market, especially out of town, the arrival of high-quality space into the city centre has stimulated a new phase of rental growth. Prime headline rents now stand at £31.00 per sq ft, evidenced by transaction at Elshaw House, while West Bar and 190 Norfolk Street will likely be key in driving the tone forward again in future years.

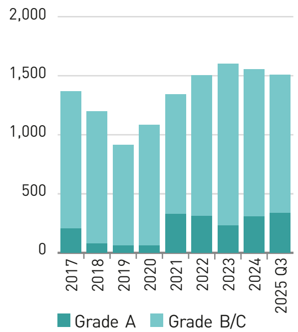
TAKE-UP (000 SQ FT)



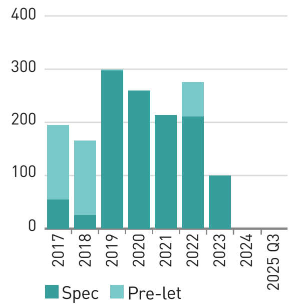
PRIME HEADLINE RENT (£ PER SQ FT)



AVAILABILITY (000 SQ FT)



UNDER CONSTRUCTION (000 SQ FT)



MARKET AT A GLANCE

FORECAST 2025 TAKE-UP VS 10-YEAR AVERAGE
-31%

YEARS OF SUPPLY
4.4

GRADE A SHARE OF SUPPLY
22%

PRIME YIELD
7.50%

Q3 2025 HEADLINE RENT (PER SQ FT)
£31.00

KEY SELECTED TRANSACTIONS

Quarter	Property	Size (sq ft)	Occupier	Rent (per sq ft)
2025 Q2	Isaacs Building	14,855	Taylor & Emmett	£26.50
2025 Q1	2 Park Square	10,369	Guardian Electrical	N/A
2025 Q2	The Riverside	10,000	Wessex Archaeology	Confidential
2025 Q1	Elshaw House	5,200	Turner & Townsend	£31.00

Source: LSH Research

GLASGOW

SCARCITY OF PRIME

A shortage of best-in-class office supply is emerging, as recent refurbishments have leased up well, but little new space is in the immediate pipeline.

BRIGHT AURORA

Glasgow city centre take-up totalled 320,731 sq ft across the first three quarters of 2025, slightly down on the same period of 2024. Annual take-up for 2025 is expected to be very similar to last year's total of 442,735 sq ft, and above the five-year post-COVID average of 418,000 sq ft.

The recently refurbished Aurora building remained a key focus of occupier activity, with Pinsent Masons taking 31,724 sq ft in the largest city centre deal of the year to date, while Grant Thornton leased 8,800 sq ft. These transactions followed a series of significant lettings at Aurora last year, including a 62,000 sq ft deal to SSE in Q4.

Demonstrating strong occupier demand for the city centre's dwindling supply of prime and grade A space, other notable deals included two at Cadworks to Savills (10,157 sq ft) and Barnett Waddingham (10,114 sq ft). In addition, WSP (18,558 sq ft) and Hitachi (14,891 sq ft) both took space at 110 Queen Street.

At the end of Q3, there were 18 active requirements of 10,000 sq ft-plus in the city centre, the largest of which were Network Rail's search for c. 100,000 sq ft and the Passport Office's 80,000 sq ft requirement.

BIG DEALS OUT OF TOWN

Out of town, take-up across Q1-Q3 was 183,632 sq ft, putting the market on course to fall some way short of 2024's annual total of 342,740 sq ft. However, the out of town market was home to Glasgow's largest deal during this period, which saw the University of Glasgow take 59,705 sq ft at Craftworks, 2 Central Quay.

Chemify's deal for 40,000 sq ft of life sciences space at the Health Innovation Hub (HiH), Govan was another standout deal in the out of town market. However, large-scale transactions were otherwise thin on the ground, with the only other 10,000 sq ft-plus out of town deal being Oticon's lease of 19,762 sq ft at Mercury House, Strathclyde Business Park.

PRIME SUPPLY SHORTAGE

Glasgow city centre has availability of 1.9m sq ft, but crucially only 7% of this is prime space. Limited options remain available in prime new builds completed during the last development cycle. Cadworks (94,431 sq ft) is down to availability of just 10,160 sq ft; while 2 Atlantic Square (97,000 sq ft) has 31,768 sq ft remaining, albeit 24,000 sq ft of this is under offer.

Most of the best-in-class space to come to the market more recently has been delivered via refurbishment projects, the most significant of which are Aurora and Lucent, both on Bothwell Street. Following its completion in 2024, Aurora is now almost fully let, with only 6,200 sq ft of its 174,000 sq ft available. Lucent was practically completed in Q3 2025 and has availability of 92,000 sq ft. By mutual consent, the three pre-lets previously secured in the building were terminated.

Aurora, 180 Bothwell Street, where only 6,200 sq ft remains available

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Other refurbishment projects include 5 Cadogan Street, where 66,520 sq ft is due for completion in Q4; and G1 George Square, which has 20,512 sq ft available across two floors.

The Bond, 57 Queen Street, has also undergone refurbishment, with a first phase of 36,000 sq ft completed over two floors of the 120,000 sq ft building. As an historic property refurbished with an exposed M&E finish, The Bond offers a style of space that is unusual in the Glasgow market, and it has attracted good tenant interest.

6 Atlantic Quay and 200 Broomielaw have also undergone repositioning in recent years. 6 Atlantic Quay continues to attract occupier interest and 200 Broomielaw has been selected by the Passport Office as its preferred option for a relocation from its current Milton Street base.

A proportion of city centre supply is in non-refurbished buildings that are virtually unlettable in their current state, many of which have been earmarked for alternative use or redevelopment. A further 1.2m sq ft is available out of town, but this includes limited grade A space.

IMMEDIATE PIPELINE IS THIN

With 5 Cadogan Street being the only scheme currently under construction and due for imminent completion, and no subsequent development starts formally announced, the immediate pipeline appears thin. The next major scheme to come through could be Alhambra House, 45 Waterloo Street (95,000 sq ft), which RPG / RoundShield has acquired for repositioning and may start on site in 2026.

Other potential development projects include Longmead's long-mooted refurbishment of 123 St Vincent Street (136,000 sq ft); Clearbell's redevelopment and expansion of 150 St Vincent Street, which would take it to c. 150,000 sq ft; and RPG's IQ project at the former M&G 'The Grid' site, which has planning consent for 300,000 sq ft. However, the commencement of these schemes may be dependent on the securing of pre-lets.

RENTS ON THE UP

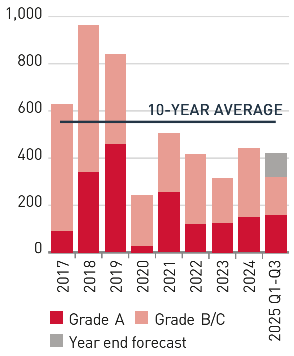
Prime rents are subject to upward pressure due to the growing shortage of best-in-class space in the city centre. The headline prime rent rose by 5% over the last year to £41.50 per sq ft, which was achieved by the Pinsent Masons deal at Aurora. Earlier deals at Aurora were agreed in the late-£30s per sq ft, but a lack of alternative options pushed the Pinsent Masons rent higher.

Having previously set the headline rental for the city, Lucent has rebased its quoting rents in the order of £47-£53 per sq ft, with the supply shortage, refurbishment standard and prime location combining to drive this new rental tone.

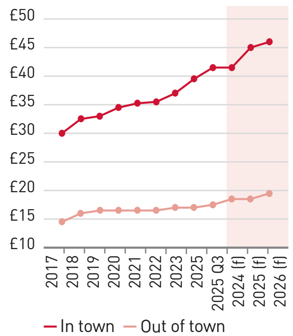
Should the Alhambra House project come through, it is expected to see asking rents in the high £40s per sq ft-plus. It is also understood that the proposed schemes at 150 St Vincent Street and IQ will be looking to secure rents in the £50-55 per sq ft range.

The out of town prime rent shows a significant and widening discount to the city centre, standing at £18.50 per sq ft in Q3.

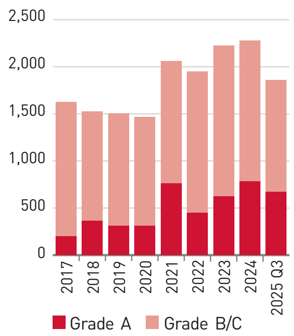
TAKE-UP (000 SQ FT)



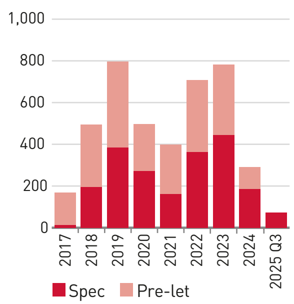
PRIME HEADLINE RENT (£ PER SQ FT)



AVAILABILITY (000 SQ FT)



UNDER CONSTRUCTION (000 SQ FT)



MARKET AT A GLANCE

FORECAST 2025 TAKE-UP VS 10-YEAR AVERAGE

-24%

YEARS OF SUPPLY

3.3

GRADE A SHARE OF SUPPLY

36%

PRIME YIELD

7.50%

Q3 2025 HEADLINE RENT (PER SQ FT)

£41.50

KEY SELECTED TRANSACTIONS

Quarter	Property	Size (sq ft)	Occupier	Rent (per sq ft)
2024 Q4	Aurora	62,002	SSE Plc	£38.50
2025 Q1	Aurora	31,724	Pinsent Masons	£41.50
2025 Q3	110 Queen Street	18,558	WSP	£34.00
2025 Q3	111 Queen Street	14,982	Hitachi	£36.00
2025 Q2	Cadworks	10,157	Savills	£36.50

Source: LSH Research

EDINBURGH

LACK OF LARGE DEALS

A scarcity of prime supply is constraining take-up and fuelling regear activity, a trend likely to persist given the absence of new build speculative development.

SUPPLY LIMITS TAKE-UP

Following a strong finish to 2024, marked by Lloyds Bank's record-breaking 282,000 sq ft deal at Port Hamilton, the Edinburgh market has been relatively muted in 2025. City centre take-up across the first three quarters totalled just over 250,000 sq ft, down 7% on the same period of last year and 43% below the 10-year average. With Q4 expected to be another subdued quarter, the market is on track to reach annual take-up of c. 350,000 sq ft, 40% below trend and the lowest total since 2009.

The modest take-up reflects a lack of larger-scale deals, which have been restricted by an acute shortage of prime supply. Only four transactions above 10,000 sq ft were completed in the first three quarters this year, compared with seven in the same period of 2024 and a long-term average of eight. The two largest deals were Wood Mackenzie's 29,690 sq ft letting at 2-4 Waterloo Place and Addleshaw Goddard's 29,079 sq ft deal at 24 St Andrew Square, an expansion into best-in-class space.

Amid a shortage of appropriate supply, activity has been focused on regears. While not regarded as take-up, a substantial 161,217 sq ft of regears took place across Q1-Q3 2025. The most notable of these involved Cirrus Logic at Quartermile 4, Nightingale Way (45,311 sq ft) and the NHS at Mainpoint,102 West Port (37,702 sq ft).

BUSY AT THE SMALLER END

While large-scale deals have been thin on the ground, activity at the smaller end of the market has been relatively resilient. Take-up of sub-5,000 sq ft space totalled 120,000 sq ft in 2025 to Q3, up 7% on the same period in 2024 and just 17% below the 10-year average. The flex market has been similarly buoyant, with many operators reporting waiting lists, although overall flex supply remains limited.

The professional services sector has led demand this year, accounting for more than 50% of total take-up to Q3. In contrast, the finance, banking and insurance sector, which previously dominated, has been subdued due to consolidation within the sector, representing just 6% of demand.

QUIET OUT OF TOWN

The out of town market has also experienced subdued take-up in 2025. Deals across Q1-Q3 totalled 76,000 sq ft, down 30% year-on-year and 47% below trend. With little stock under offer, Q4 is also expected to be quiet, bringing the annual total to c. 100,000 sq ft, the weakest since 2021.

Like the city centre, the out of town market has been marked by a lack of major deals, with no transactions above 10,000 sq ft completing in 2025 to date. That said, depth of activity has been solid, with 34 deals completed in Q1-Q3 compared with 28 in the same period of 2024 and slightly above the long-term average.

TIGHTEST MARKET IN THE BIG SIX

Total availability currently stands at 1.1m sq ft in the city centre, equivalent to 1.8 years of supply based on average annual take-up. On this measure, Edinburgh remains the tightest-supplied city centre market among the Big Six. Since the start of the year, supply has fallen by 14%, reaching its lowest level since 2021.

The fall in supply was driven by a decrease in grade B/C space, for which take-up has outpaced the release of new availability. In addition, several city centre office buildings have dropped out of the supply as they have been purchased for alternative uses, including Capital House, Albany House and Edinburgh One.

Grade A supply, however, remained stable through 2025 and now accounts for a notable 63% of city centre stock, the highest proportion of any Big Six market. Despite this, prime availability is scarce, totalling only c. 130,000 sq ft across four buildings, with the largest available spaces being at Quartermile Two (37,135 sq ft) and 6 St Andrew Square (30,720 sq ft).

With no new developments delivered since 2023, major refurbishments have filled the gap. Both 30 Semple Street and 24 St Andrew Square, which reached practical completion in 2025, have successfully let upper floors, leaving only lower floors available. Quartermile Two also completed this year, delivering 37,135 sq ft. In West Edinburgh, 7 Lochside Avenue (33,762 sq ft) was comprehensively refurbished by Danobe Securities and remains available.

Looking ahead, no new build speculative starts are currently scheduled. Major schemes at Rosebery House (154,071 sq ft) and New Yards at Haymarket (185,257 sq ft) are contingent on securing sizeable pre-lets. In the meantime, newly refurbished space is expected to be delivered at The Cube on Leith Street (66,000 sq ft) following Glenmorangie's relocation to 6 St Andrew Square, with this likely to be available towards the end of 2026. In West Edinburgh, several significant refurbishments are also scheduled for delivery in 2026, including Base, 3 Redheughs Avenue (89,323 sq ft), 3 Lochside

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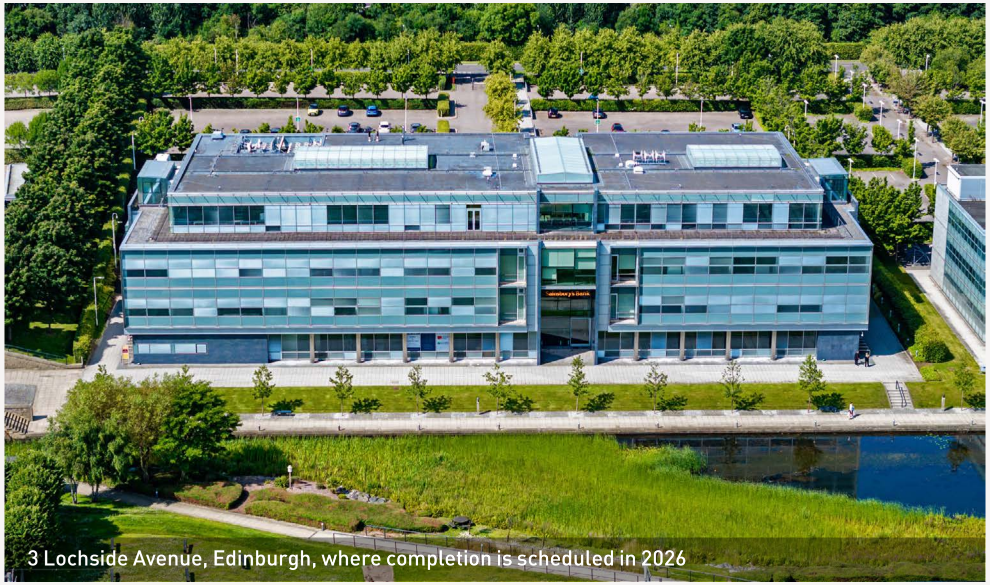


3 Lochside Avenue, Edinburgh, where completion is scheduled in 2026

Avenue (81,322 sq ft), and 6 Lochside Avenue (39,728 sq ft).

RENTS PUSHING FIFTY

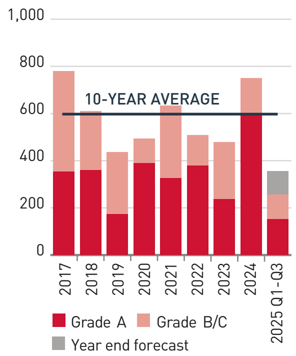
Prime headline rents of up to £46.50 per sq ft have been achieved at existing prime buildings representing a modest uplift of 3% over the past 12 months. With limited new supply and a clear flight to quality among occupiers, incremental rental growth in the city centre is expected to continue over the coming years. This trend has also supported rising rents for refurbished buildings in strong locations.

A more significant step change in rental tone could occur if a pre-let is secured on future new build schemes. Rents in excess of £50 per sq ft would be required for developments such as New Yards and Rosebery House to proceed, given current construction costs. Achieving this level would accelerate rental growth beyond current forecasts.

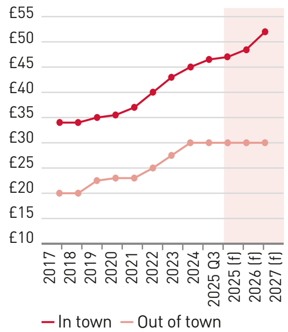
Out of town prime rents have remained stable at £30.00 per sq ft for several years, reflecting weak demand and elevated supply. These conditions are expected to keep rents flat over the medium term.

Incentives in the city centre have largely held steady over the past year, typically around 1 to 1.2 months per year certain. In peripheral and out of town locations, where supply is more plentiful and demand has softened, incentives are more generous.

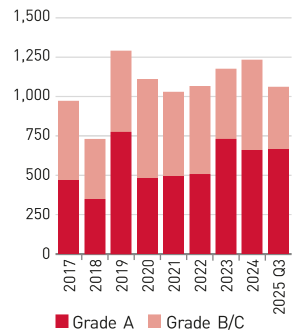
TAKE-UP (000 SQ FT)



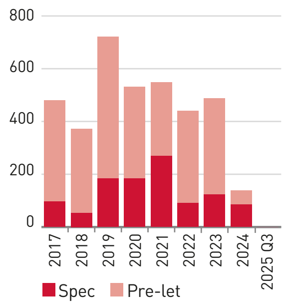
PRIME HEADLINE RENT (£ PER SQ FT)



AVAILABILITY (000 SQ FT)



UNDER CONSTRUCTION (000 SQ FT)



MARKET AT A GLANCE

FORECAST 2025 TAKE-UP VS 10-YEAR AVERAGE

-40%

YEARS OF SUPPLY

1.8

GRADE A SHARE OF SUPPLY

63%

PRIME YIELD

6.50%

Q3 2025 HEADLINE RENT (PER SQ FT)

£46.50

KEY SELECTED TRANSACTIONS

Quarter	Property	Size (sq ft)	Occupier	Rent (per sq ft)
2024 Q4	Port Hamilton	282,518	Lloyds	£43.00
2024 Q4	6 St Andrew Square	43,098	Heineken	£35.10
2025 Q2	2-4 Waterloo Pl	29,690	Wood Mackenzie	Confidential
2025 Q2	24-25 St Andrews Square	29,079	Addleshaw Goddard	£46.00
2025 Q3	Quatermile One	17,590	Avaloq Innovation	£42.50

Source: LSH Research

BELFAST

THE ONLY WAY IS UP

The Belfast market had little to celebrate in 2025, although a new headline rent was achieved and recent announcements provide optimism for 2026.

SLOW DOWN

Office take-up fell to a five-year low at 166,157 sq ft across the first three quarters of 2025, standing 35% below the ten-year Q1-Q3 average. Take-up was suppressed by subdued activity, with the number of Q1-Q3 deals the second lowest on record, and limited deals over 10,000 sq ft.

While take-up in the first two quarters of 2025 was steady, Q3 take-up of 26,597 sq ft stood 72% below the 10-year quarterly average and was the lowest quarterly total since Q1 2022. Although smaller deals continue to dominate, accounting for 62% of 2025's transactions to date, only 18 deals under 5,000 sq ft completed, a five-year low and 25% below the ten-year average for this size category.


Venn, Laganbank Road, where 135,000 sq ft is currently available

Despite abundant availability, take-up of grade A space decreased during the first three quarters of 2025, accounting for only 69% of take-up. 2025 annual take-up is forecast to finish well below the annual average, with a quiet final quarter expected.

ONE BIG DEAL

The largest deal of the year, and the largest traditional single let since the pandemic, was a confidential tenant's lease of 34,689 sq ft at City Quays 2 in Q2.

Other notable deals were the Northern Ireland Authority for Utility Regulation's 15,741 sq ft lease at Millennium House, Great Victoria Street and the Consulate General of India's 10,383 sq ft lease at Clarence House, May Street.

CHIPPING AWAY

Serviced office providers were 2024's key driver of demand and over the last decade 300,000 sq ft of serviced office has been introduced into the market. The impact of the widening of this offer has been clear in 2025 with the reduction of conventional leases, particularly in the 5,000 sq ft and below category, contributing to the low take-up this year.

There are now approximately 20 serviced office providers in Belfast, with a further 17,831 sq ft of take-up in 2025 included IWG's expansion of their Regus brand with a lease of 12,076 sq ft at The Vantage, Great Victoria Street.

The serviced office offering will grow further in the coming months as some landlords continue to pivot from traditional letting to high quality serviced offices or a combination of both within one building. Formation Works, the largest serviced office provider in Northern Ireland and known for their premium offer, is expected to further expand into another city centre building in 2026.

BANKMORE STANDS OUT

From a record high in 2024, availability decreased by 11% in 2025 but Belfast remains the most abundantly supplied of the UK's regional centres with 5.3 years of supply based on average annual take-up. Grade A space continues to dominate supply, accounting for 86% of availability.

Six buildings currently have over 100,000 sq ft of space available and combined these buildings account for two-fifths of total availability. This includes the Venn, Laganbank Road (135,000

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sq ft) which is offering potential tenants expert design services by Formation Works and the largest floorplates in Belfast at 21,500 sq ft.

One Bankmore, Bankmore Square, the new 75,000 sq ft global headquarters of software company Kainos, is the only development currently under construction and due for completion in mid-2027. Kainos revised their original plans for this development during the pandemic, and the company will occupy four of the 11 floors with the remaining space for lease. Once complete this building will be Northern Ireland's first BREEAM Outstanding office development, although it is expected to be followed by City Quays 5.

ALTERNATIVE THINKING

Given the scale of supply, vacant offices are commonly marketed with potential to repurpose for alternative use. Notably, this is not limited to secondary stock but also good quality stock. Repurposing offices to alternative uses is particularly attractive in the Belfast market where city centre infrastructure issues continue to stymie new developments.

Local developers have shown keen interest in vacant office stock which may present opportunities to circumnavigate infrastructure issues, but redevelopment does not come without its own challenges, not least ensuring the building is viable for an alternative use, layout dictating redevelopment potential, and obtaining planning consent. Competitive bidding has been reported for secondary stock which offers good value capital expenditure and suitability for repurposing to residential schemes, among other uses. Fermanagh House, Ormeau Avenue (13,000 sq ft), for example, is a period property marketed at £1.5m which has attracted significant attention from local developers for an alternative use.

A LONG WAIT FOR GROWTH

After four years of rental stagnation, Belfast's prime headline rent has increased to £25.00 per sq ft in 2025 for best-in-class buildings and we continue to forecast prime rental growth in 2026 and beyond.

Rental growth is crucial to kickstart any further development due to increasing development costs. While availability of good quality stock remains high, there is limited stock that meets the very highest levels of ESG credentials demanded by today's potential tenants and for which they are willing to pay a 'green premium'.

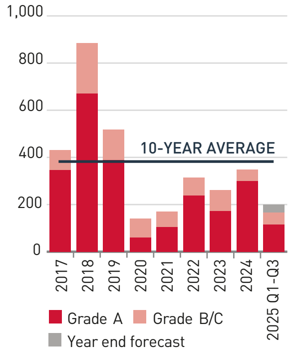
BANKING ON BANKS

While 2025 has been very subdued, there is cause for optimism in 2026. The recent announcement that the Bank of America will open a key hub in Belfast creating 1,000 jobs, and Citigroup's continued commitment to the city with plans to increase its presence, should help to raise confidence in Belfast, boost office market activity and bring the return of larger deals.

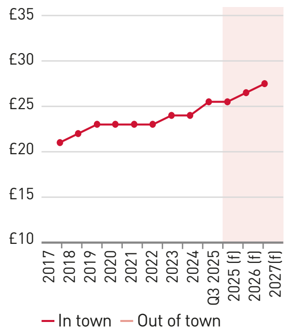
Some companies are weighing up the question of stay vs go, considering the benefits of new modern office space against less disruptive and lower cost lease renewals of their existing space. While tenant decisions to renew and not move are not reflected in take-up, they are nevertheless an indicator of demand.

Despite some market absorption by serviced operators, current requirement levels indicate that activity and take-up will increase in 2026.

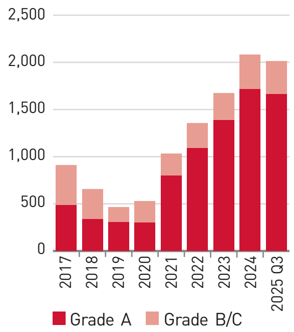
TAKE-UP (000 SQ FT)



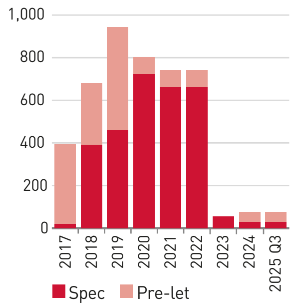
PRIME HEADLINE RENT (£ PER SQ FT)



AVAILABILITY (000 SQ FT)



UNDER CONSTRUCTION (000 SQ FT)



MARKET AT A GLANCE

FORECAST 2025 TAKE-UP VS 10-YEAR AVERAGE

-48%

YEARS OF SUPPLY

5.3

GRADE A SHARE OF SUPPLY

83%

PRIME YIELD

8.75%

Q3 2025 HEADLINE RENT (PER SQ FT)

£25.50

KEY SELECTED TRANSACTIONS

Quarter	Property	Size (sq ft)	Occupier
2025 Q2	City Quays 2	34,689	Confidential
2025 Q1	Millennium House	15,741	NI Authority for Utility Regulation
2025 Q2	The Vantage	12,076	IWG
2025 Q1	Clarence House	10,383	Consulate General of India
2024 Q4	Lincoln Building	8,700	Regus

Source: LSH Research

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