

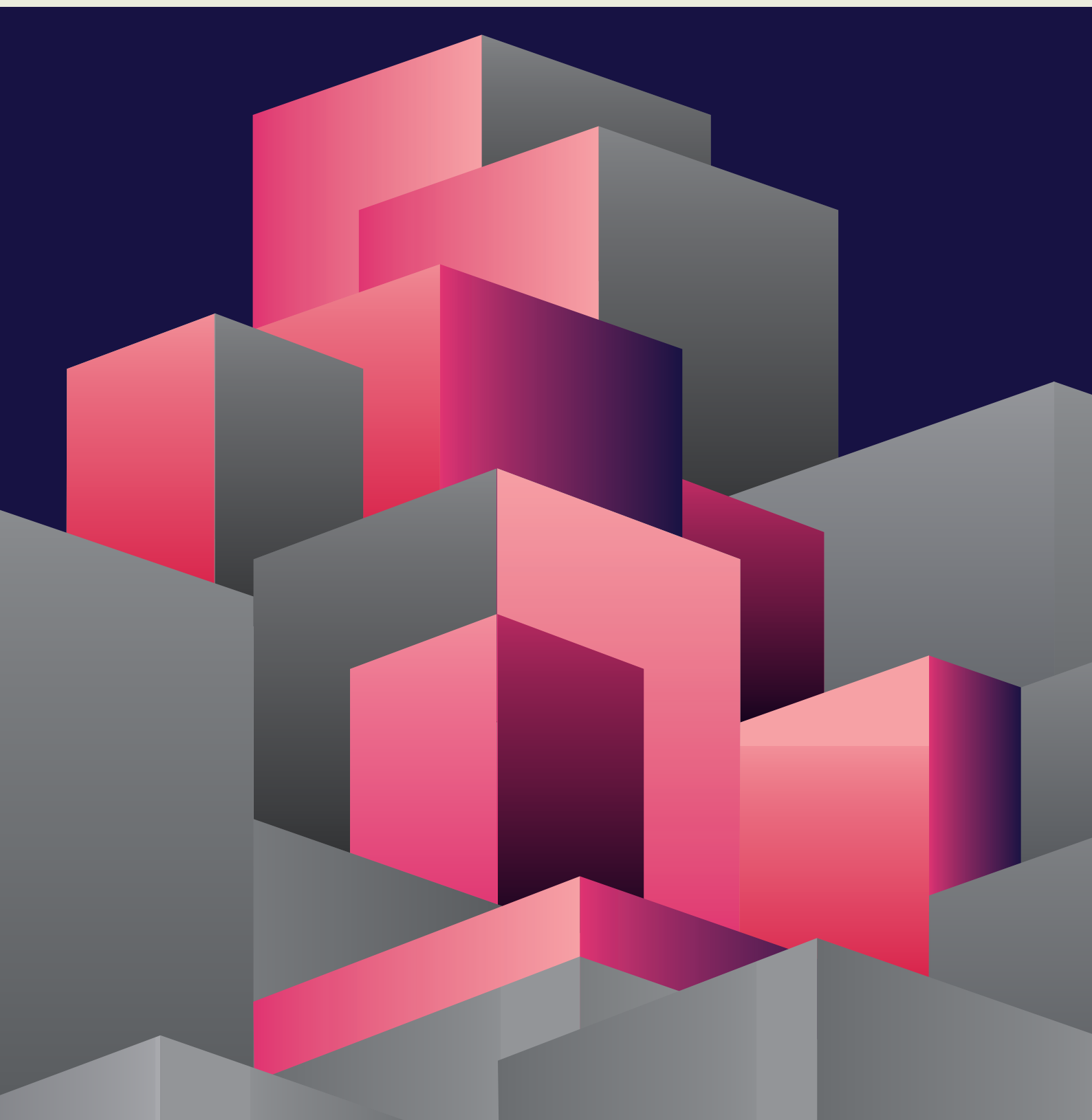
UK Cities



2024

OFFICE MARKET ANNUAL REVIEW 2024

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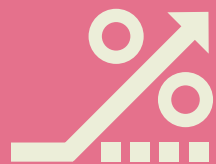
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Key takeaways



1

Sustained occupier activity meant leasing volumes reached the highest level since 2019.



2

Professional services continued to underpin office demand across the regional markets, accounting for a third of take-up in 2024.



3

Prime rents continued to rise in 2024, with uplifts averaging 5.3% year-on-year. This represents the strongest annual growth rate recorded since 2007.



4

Investment volumes for the year registered marginal improvement but remained 24% below the 5-year annual average. Notably, investment in the final quarter accounted for 40% of the annual total, reflecting improving investor sentiment.



5

Reflecting the increased activity at year-end, the headline regional office prime yield registered compression for the first time in 12 months.

Executive summary

THE STRONGEST OCCUPIER MARKET SINCE 2019

Leasing volumes registered improvement in each quarter of 2024, reaching 1.7m sq ft across the UK cities in Q4 2024, the highest quarterly total for two years. Consequently, in 2024, annual take-up reached 5.6m sq ft, reflecting a year-on-year increase of 18% and a total 10% above the 5-year annual average. Significantly, leasing activity in 2024 was the highest since 2019.

Throughout 2024, 1,029 leasing transactions were completed across the regional cities tracked. This total is 5% less than recorded in the previous year but is 4% above the 5-year annual average.

PROFESSIONAL SERVICES MOST ACTIVE

The professional services sector continued to underpin occupier demand during 2024, with many leading firms seeking additional presence outside of London and the sector employing stricter return-to-office mandates. During 2024, companies derived from this sector accounted for more a third of total take-up across the UK cities and 26% of deals done.

However, during Q4, the finance, banking and insurance sectors supported leasing volumes, accounting for 31% of space leased. A significant proportion (76%) of this

was due to a duo of lettings involving Lloyds Banking Group as part of a consolidation effort in Edinburgh and Cardiff. Notably, these two lettings accounted for 24% of quarterly take-up across the regional cities and were the largest leasing deals to transact.

A FLIGHT TO QUALITY CONTINUES TO DRIVE RENTAL GROWTH

With occupiers targetting best quality, it is of little surprise that grade A space accounted for more than half of total take-up across the regional markets. Competition for space has intensified at the top end of the market and fuelled prime rental growth, averaging 5.3% across the UK cities. Notably, eight out of the ten cities tracked registered a rental uplift in 2024.

COMPETITION FOR SPACE INTENSIFIES

At the close of 2024, grade A availability stood at 3.5m sq ft. This is a percentage point below the level recorded 12 months ago and 6% above the 5-year average. While the total market vacancy rate stood at 13% at year-end, when considering new and grade A space, this falls to just 3.5%. Looking ahead, a limited pipeline of office stock is under construction, with 1.9m sq ft of speculative space scheduled for delivery over the next three years. This means there is a 4m sq ft shortfall assuming consistent demand and no further additions to supply.

CAUTIOUS INVESTOR OPTIMISM FOR THE YEAR-END

Against a backdrop of economic and political turbulence, structural uncertainty and an elevated cost of debt, investment activity wavered in 2024. Office investment volumes finalised at £1.24bn, 3% ahead of the previous year but 24% below the 5-year annual average.

However, investment volumes reached £490.4m across the regional markets in Q4, representing 40% of the annual investment total. This figure reflects a 5% increase quarter-on-quarter and is 20% above the 5-year quarterly average.

YIELD COMPRESSION HAS BEGUN, BUT WILL IT CONTINUE?

Prime yields held steady throughout 2024, with a 25bps compression at year-end, bringing the headline yield to 6.50%. This inward shift reflects the slight improvement in sentiment at the top end of the market. However, polarisation between prime and secondary assets continues, with the latter challenged by capital expenditure concerns and weakened leasing potential.

Pricing is expected to remain under pressure in the short term, with debt costs, in particular, expected to remain elevated until the second half of 2025.

Through the Lens

One market, many perspectives: A look at the UK cities office markets from the viewpoints of differing market actors

LANDLORD & DEVELOPER

The regional office markets are marked by a significant shortage of best-quality space. While overall market vacancy is high, the top end continues to narrow. Landlords and developers are acutely aware of the upcoming MEES regulations and the impact on their assets, albeit the timelines are uncertain, and tenants continue to demand spaces with the highest environmental credentials. Many developers are opting to refurbish rather than build new, not only for cost and time savings, but also due to lower embodied carbon, aligning with businesses’ environmental consciousness. There is definite appetite for developers to purchase vacant

buildings and refurbish them to meet market standards. However, many buildings are stuck in a stalemate, with existing leases preventing repurposing despite being near vacant. There are many complexities to navigate, but more importantly, there are many opportunities.

Occupiers are increasingly demanding a variety of space options and amenities. To meet the demand for flexibility, landlords are offering a menu of choice, providing traditional office space, 3,000-6,000 sq ft of pre-fitted space to reduce upfront costs for smaller tenants, and serviced spaces, either independently or through collaboration with specialist providers. This approach helps attract a broader pool of potential occupiers.

Additionally, amenity provision remains king. Buildings must be amenity-rich and well-located, with strong connectivity to clients and staff, as well as access to a deep talent pool. These considerations are vital for developers and landlords looking to remain competitive.

To realise this market opportunity, construction must be viable. Typically, a supply-demand imbalance would drive viability and trigger a development response, but high build and debt costs have prevented this. As a result, the pre-let hurdle has increased from 30% to at least 50% as developers cannot afford voids on speculative space. Rightsizing is happening and traditional corporate requirements are shrinking, meaning 2-3 occupiers are now needed to meet

the pre-let threshold for construction starts. Rents are rising, but high capital expenditure costs mean to make a new build viable, they need to exceed £50 per sq ft. In contrast, comprehensive refurbishments are becoming viable at rents in the late £30s to early £40s. With a limited pipeline of future stock, the supply shortage creates an attractive opportunity for developers and landlords to position themselves as the primary option to meet latent demand. This creates a race to the market – refurbishments are a faster and more cost-effective alternative to building new, though inflated costs remain a challenge.

OCCUPIER

Occupiers face numerous business considerations, with costs topping the list. Labour costs make up the largest portion of company expenditure, and the introduction of new labour laws and rising employer national insurance contributions announced in October’s Budget have exacerbated these pressures. With margins pushed even tighter, there will be difficult decisions regarding headcount. Beyond costs, the health and wellbeing of employees is a significant factor, and Environmental, Social, and Governance (ESG) goals remain central to decision-making. Additionally, flexibility is crucial as businesses navigate uncertainty surrounding hybrid working models. A real concern for occupiers is the acute shortage of high-quality office space,

as the office remains an important physical presence.

Real estate can directly support businesses in achieving their objectives by providing spaces that attract top talent and foster employee well-being. The flight to quality continues across the UK cities, as occupiers prioritise amenity and location. Buildings must be centrally-located, well-connected, and near complementary businesses. Flexibility is a major consideration, with many occupiers seeking the ability to scale their space based on evolving needs and without long-term commitment. The market is seeing an increasing number of occupiers opting for flexible space as they wait to move into permanent space. In today’s landscape of uncertainty and rising cost pressures, occupiers are weighing the opportunity cost of moving versus staying in their current space, especially if their size requirements remain unchanged. In such cases, businesses will only move for significantly better-quality space.

However, securing the right real estate remains challenging in a supply-constrained market. As businesses focus on upgrading their office spaces, many have utilised their lease events to vacate good quality buildings for even better-quality space, whilst smaller occupiers are also upgrading, albeit not always to the same level. Companies including Virgin, O2, and Siemens are shifting from out-of-town locations to city centre offices to benefit from greater connectivity, higher quality amenities, and closer proximity to talent. Despite rising costs, occupiers are not deterred by increased rents and service charges, demonstrating a willingness to pay for quality and an acceptance of the new market rate. The supply-demand imbalance across the regional office

“The balance of risk and reward is increasingly tilting in favour of high-quality, ESG-compliant assets in prime regional locations.”

markets has led to earlier occupier action. This has increased from circa. 1 year to 2 years prior to a lease event. In a narrowing market, occupiers must begin their search for space sooner than ever before, to secure the type of space that supports their business objectives.

INVESTOR

In 2024, the UK regional office market presented investors with a dynamic yet complex landscape. Elevated borrowing costs created significant headwinds, making long-term commitments less attractive. Structural shifts, evolving ESG requirements, and high capital expenditure demands further dampened investor appetite, particularly for non-core or secondary assets. By year-end, this cautious sentiment was reflected in subdued investment volumes, with only £1.24 billion committed to regional offices – well below historical norms.

However, the latter part of 2024 brought early signs of market stabilisation. Prime office yields settled within the 6.50%-7.50% range, a level appealing to opportunistic investors willing to navigate the risks. This shift has encouraged strategic buyers to re-enter the market, particularly those with access to capital and a long-term investment horizon. As transaction activity increased, investor interest gradually improved, with many recognising the potential for well-positioned assets to deliver attractive risk-adjusted returns.



“There is definite appetite for developers to purchase vacant buildings and refurbish them to meet market standards.”

Looking ahead, adaptation to structural changes will be a key focus for the sector. The impact of remote and hybrid work models remains an ongoing challenge, though a growing trend toward mandating more in-office attendance could help solidify expectations around future demand. As this shift gains traction, demand is expected to concentrate on high-quality office spaces offering modern amenities, flexible layouts, and enhanced employee experiences.

Moreover, the growing demand for sustainable, energy-efficient buildings underscores the critical importance of ESG-compliant investments. Occupiers increasingly prioritise properties that align with sustainability goals and evolving regulations, putting pressure on landlords and investors to modernise ageing assets.

While these shifts pose challenges, they also tighten supply, driving rental growth. The gap between

prime, ESG-compliant offices and underperforming stock is only widening, leaving buildings that fail to meet modern standards, and in non-core locations, at risk of becoming stranded. As a result, refurbishment, repositioning, or repurposing conundrums will become increasingly common.

As 2025 begins, the UK regional office market shows continued signs of stabilisation, with modest gains emerging as economic conditions and interest rates normalise. Transactional data should support this thesis through H1. In the year ahead, income returns will underpin the expected improvement in total returns, while yield-driven capital growth will likely be limited. Properties with strong fundamentals and modern specifications remain well-positioned and will see strong interest. The balance of risk and reward is increasingly tilting in favour of high-quality, ESG-compliant assets in prime regional locations. For forward-thinking investors, the current market conditions present an opportunity to acquire office assets at attractive pricing, offering relative value when set against alternative asset classes.

LENDER

Lender appetite has remained strong over the past year, particularly in key sub-sectors such as Living and Logistics. This is a result of increased debt supply (driven by new credit strategies being established), coupled with a decline in transaction activity. These two factors have led to greater capital availability, such that supply

“As 2025 begins, the UK regional office market shows continued signs of stabilisation, with modest gains emerging as economic conditions and interest rates normalise.”



now exceeds demand, providing borrowers with greater choice and more competitive terms.

As 2025 begins, the debt market will remain robust, with senior debt Loan-to-Value (LTV) ratios for core real estate deals at approximately 55%, rising to 60% for prime assets with stable income streams. For value-add investments, bank liquidity peaks at 50% LTV, whereas non-banks can push leverage higher so long as the deal is supported by a robust business plan.

Lender margins vary by investment type, with core deals ranging from the mid to low 200 basis points (bps); value-add deals (financed by banks) in the mid to high 300 bps, and non-bank lenders providing higher leverage and capex facilities starting in the low 400 bps.

Well-defined and executable business plans must support funding requests. In the regional office market, lenders are focused on the long-term viability of demand, although stability is improving. Assets must be attractive

to the changing occupier market and generate sustainable cash flows. ESG considerations remain pivotal, mainly regarding ‘brown to green’ transition strategies. Lenders require rigorous stress testing of leasing assumptions to mitigate occupancy risks.

Investment opportunities into the Purpose-Built Student Accommodation (PBSA) sector persist in dual university cities, as does senior bank support for financing these deals. In addition, the non-bank lender market is offering liquidity and competitive debt structures for PBSA acquisitions that are in need of capex investment.

Residential development, particularly in Build-to-Rent (BtR) and co-living, is in demand in cities like Birmingham and Manchester. The industrial and logistics sector remains strong across the UK, with debt funding available for speculative development, albeit primarily from non-bank lenders.

Looking ahead, lender appetite is expected to remain robust, with new

“Investment opportunities into the Purpose-Built Student Accommodation (PBSA) sector persist in dual university cities, as does senior bank support for financing these deals.”

non-bank lenders continuing to enter the market. The use of back leverage is set to increase, enhancing non-bank lender returns. Interest in the office sector is evolving, with lenders re-engaging in the London market, a trend likely to expand to other major cities. Demand for living sector assets, mainly Single-Family Housing (SFH), BtR, and co-living developments, will continue growing.

Aberdeen

Aberdeen registered its strongest year for office investment since before the Covid-19 pandemic, with prime yields having stabilised. Grade A supply continues to trend downward, whilst no new stock is currently under construction.

Occupational

TAKE UP

2024 (SQ FT)

-27% **234,052**
2023: 321,013 sq ft



GRADE A SUPPLY

2024 (SQ FT)

-29% **130,000**
2023 Grade A Supply 184,098 sq ft



PRIME RENT

Q4 2024 (£ PER SQ FT)

£32.50 0%
Q4 2023 Prime Rent £32.50 per sq ft



NUMBER OF DEALS

2024

72
2023: 74 deals



DEVELOPMENT PIPELINE

(U/C SPECULATIVE SQ FT)

0



2025 PRIME RENT FORECAST

(£ PER SQ FT)

£32.50



Investment

INVESTMENT VOLUMES

2024

602% **£130.8m**
2023: £18.64m



PRIME YIELD

Q4 2024

10.00% 0 bps
Q4 2023 Prime Yield 10.00%



PRIME YIELD FORECAST



Inward

DEMAND

- ◆ Take-up reached 24,397 sq ft in Q4 2024, a 66% fall compared to 2023 and 73% below the 10-year quarterly average. In 2024, leasing volumes totalled 234,052 sq ft, 26% below the 5-year annual average. The dip in activity was due to several factors, including requirements not progressing, political uncertainty, and Labour's proposed energy policies.
- ◆ However, the energy & utilities sector continued to underpin occupier demand in 2024, accounting for nearly half of space leased and 31% of deals done.
- ◆ As such, the largest occupier deal in Q4 involved drilling specialist Sekal, which took 8,509 sq ft of space at 50 Huntly Street. The largest deal in 2024 was the 16,591 sq ft letting at The Stratus Building, ABZ Business Park to OEG Offshore.

- ◆ The average deal size in Aberdeen fell by 25% in 2024 to 3,251 sq ft.
- ◆ Prime office rents remained stable at £32.50 per sq ft.

SUPPLY

- ◆ Grade A availability fell by 4% quarter-on-quarter to 130,000 sq ft at the close of 2024, 60% below the 5-year average.
- ◆ The total market vacancy rate fell from 23% 12 months ago to 18% in Q4 2024, following multiple offices having been lost to alternative uses.
- ◆ At the close of Q4, no office developments were under construction or planned in Aberdeen.

INVESTMENT

- ◆ In Q4, £64.31m of office stock was transacted across 5 deals. Notably, this total is more than three times higher

than the 10-year quarterly average for the city and is the strongest quarterly performance since before the pandemic.

- ◆ As such, investment activity in Aberdeen reached its highest annual total since 2019, reaching £130.83m across 11 deals. This total is 79% above the 10-year annual average.
- ◆ Investment in 2024 was boosted by the sale of 4 large assets accounting for £111m of the total.
- ◆ The largest transaction involved the sale of the CNOOC, Apache, and Taqa buildings at Prime Four business park to private property investor EEH Ventures. Notably, this was the largest deal to complete in Scotland in Q4 2024.
- ◆ Prime yields have stabilised at 10.00%, 350 bps softer than before the onset of the pandemic.

Birmingham

Occupier demand reached its highest level since 2017, bolstered by an especially strong third quarter of take-up. The completion of new stock saw the supply of brand new space rise above the long-term trend.

Occupational

TAKE UP 2024 (SQ FT)

843,218
2023: 702,993 sq ft



GRADE A SUPPLY 2024 (SQ FT)

343,020
2023 Grade A Supply 185,000 sq ft



PRIME RENT Q4 2024 (£ PER SQ FT)

£43.50
Q4 2023 Prime Rent £42.50 per sq ft



NUMBER OF DEALS 2024

96
2023: 109 deals



DEVELOPMENT PIPELINE (U/C SPECULATIVE SQ FT)

688,993



2025 PRIME RENT FORECAST (£ PER SQ FT)

£47.50



Investment

INVESTMENT VOLUMES 2024

£92.4m
2023: £248.69m



PRIME YIELD Q4 2024

6.75%
Q4 2023 Prime Yield 6.50%



PRIME YIELD FORECAST



Inward

DEMAND

- ◆ Occupier take-up in Q4 totalled 137,188 sq ft, 28% below the 10-year quarterly average.
- ◆ However, leasing volumes in 2024 stand at 843,218 sq ft across 96 deals. This total is 20% above the previous year and is 23% above the 5-year annual average. Notably, it the highest annual total recorded in Birmingham since 2017.
- ◆ Interestingly, the education sector underpinned demand in 2024, accounting for 38% of space leased across 7 deals.
- ◆ In line with this, the largest letting to complete involved Aston University, which took 189,053 sq ft at 10 Woodcock Street. This is the largest leasing deal to complete in Birmingham since 2020.
- ◆ The average deal size increased by 36% year-on-year to 8,784 sq ft, the highest of all regional cities tracked in 2024.

- ◆ In 2024, grade A space accounted for 72% of total take-up.
- ◆ There is a further 242,000 sq ft of space under offer and 862,350 sq ft of named demand in the city centre.
- ◆ Prime rents rose by one percentage point in Q4 to £43.50 per sq ft, reflecting an increase of 2% year-on-year and is 24% above the pre-pandemic level.

SUPPLY

- ◆ Following the completion of Wolo House, new build grade A availability increased by 85% year-on-year to reach 343,020 sq ft at the close of 2024. This level is 14% above the 10-year average.
- ◆ However, total market vacancy remained stable at 5.8% across the city.
- ◆ As of Q4 2024, 688,993 sq ft of speculative brand new build and

comprehensive refurbishment was under construction in Birmingham's city centre. Comprising 6 buildings, more than two thirds of this is due to complete during 2025.

INVESTMENT

- ◆ Birmingham registered an improvement in activity in Q4, with office investment totalling £45.19m. This reflects a quarter-on-quarter increase of 32% but is 19% below the 5-year quarterly average.
- ◆ 2024 saw volumes reach £92.35m across 8 deals. This total is 63% below that of 2023 and is 59% below the 5-year annual average.
- ◆ Prime office yields held firm at 6.75% reflecting an outward shift of 25 bps year-on-year and is 175 bps softer than the pre-pandemic level.

Bristol

Bristol experienced its strongest year of investment since 2017, registering the highest investment volumes across all regional cities tracked in 2024. The leasing market saw occupier activity rise year-on-year.

Occupational

TAKE UP 2024 (SQ FT)

440,562
5%
2023: 419,180 sq ft



GRADE A SUPPLY 2024 (SQ FT)

304,347
154%
2023 Grade A Supply 119,663 sq ft



PRIME RENT Q4 2024 (£ PER SQ FT)

£48.00
13%
Q4 2023 Prime Rent £42.50 per sq ft



NUMBER OF DEALS 2024

90
2023: 93 deals



DEVELOPMENT PIPELINE (U/C SPECULATIVE SQ FT)

213,000



2025 PRIME RENT FORECAST (£ PER SQ FT)

£52.50



Investment

INVESTMENT VOLUMES 2024

£348.6m
314%
2023: £84.23m



PRIME YIELD Q4 2024

6.75%
25 bps
Q4 2023 Prime Yield 6.50%

PRIME YIELD FORECAST



Inward

DEMAND

- ◆ Occupier activity picked up during Q4 2024, with take-up totalling 101,370 sq ft. This reflects a rise of 18% quarter-on-quarter but is 28% below the 10-year quarterly average. Annual take-up reached 440,562 sq ft, 5% above the previous year but 13% below the 5-year average.
- ◆ There is an additional 250,000 sq ft of active demand and 100,000 sq ft of space currently under offer.
- ◆ The average deal size rose by 9% year-on-year to 4,895 sq ft in 2024.
- ◆ Underpinning demand was the professional services sector, which accounted for 43% of space leased across 32 deals.
- ◆ The largest deal to complete was the 44,196 sq ft pre-let to DAC Beachcroft over 2 floors at Welcome Building.

- ◆ The prime rent was £48.00 per sq ft at the close of 2024, reflecting a 13% rise year-on-year. Notably, this is 28% above the pre-pandemic level and is the highest annual increase recorded across all UK cities tracked.

SUPPLY

- ◆ Following the completion of Welcome Building, new & grade A availability rose to 304,347 sq ft in 2024. This reflects an annual increase of 154% and is 173% above the 5-year average.
- ◆ Overall market vacancy rose from 7.0% to 8.9% year-on-year.
- ◆ At the close of Q4, there was 213,000 sq ft of speculative space under construction in Bristol's city centre, all of which is comprehensive refurbishment. With the majority expected to complete within the first half of 2025, there is likely to be a short-term rise in vacancy.

INVESTMENT

- ◆ Investment volumes saw a significant uptick in Q4, reaching £154.2m across 5 deals, more than double the 10-year city average.
- ◆ Investment activity registered its highest annual total since 2017, finalising at £348.6m across 11 deals. This reflects a fourfold increase year-on-year and is 15% above the 10-year average. Notably, it is the highest total reached across all regional cities tracked.
- ◆ Activity was supported by the sale of EQ in December for £103m at a NIY of 7.25% to Melford Capital, the largest asset to transact across all UK cities in 2024.
- ◆ There are currently £70m of assets under offer in Bristol.
- ◆ Prime yields remained stable at 6.75%, reflecting a 25 bps increase year-on-year.

Cardiff

Leasing activity reached its highest level since 2017, supported by the finance, banking, and insurance sectors. Availability of best-quality space continues to fall as the flight to quality remains a consistent driver.

Occupational

TAKE UP 2024 (SQ FT)

581,643
2023: 277,222 sq ft
110%



GRADE A SUPPLY 2024 (SQ FT)

313,589
2023 Grade A Supply 414,033 sq ft
-24%



PRIME RENT Q4 2024 (£ PER SQ FT)

£28.00
Q4 2023 Prime Rent £25.00 per sq ft
12%



NUMBER OF DEALS 2024

92
2023: 89 deals



DEVELOPMENT PIPELINE (U/C SPECULATIVE SQ FT)

0



2025 PRIME RENT FORECAST (£ PER SQ FT)

£30.00



Investment

INVESTMENT VOLUMES 2024

£13.9m
2023: £41.35m
-66%



PRIME YIELD Q4 2024

7.25%
Q4 2023 Prime Yield 7.50%
25 bps



PRIME YIELD FORECAST



Inward

DEMAND

- Take-up in Cardiff eclipsed the figure for 2023, reaching 247,137 sq ft across 21 deals in Q4 2024. This is the strongest quarterly return in take-up since Q3 2017. Leasing volumes for the year stand at 581,643 sq ft, more than double the total for 2023 and 23% above the 10-year annual average. Notably, this is the highest annual total since 2017.
- Leading the activity in Cardiff was the finance, banking, and insurance sector, which accounted for 38% of space leased in 2024.
- This was underpinned by the largest leasing transaction in the city, which involved Lloyds Banking Group taking the entire 113,360 sq ft building at 1 John Street on a 10-year lease. This is a landmark deal for Cardiff that will house more than 3,000 staff from across the bank's Cardiff and Newport operations.

- Supporting this, the professional services sector continued to account for the greatest number of deals done at 20 out of 92.
- The average deal size more than doubled to reach 6,322 sq ft in 2024.
- Of total take-up, grade A stock accounted for nearly half of space leased.
- Prime office rents remained at £28.00 per sq ft at the close of 2024, having risen by 12% year-on-year.

SUPPLY

- Grade A availability dipped to 313,589 sq ft at the close of 2024, reflecting a continued reduction of best-quality stock available. This figure is 24% below the previous year and in line with the 5-year average for the city.
- As such, overall market vacancy has decreased from 12.8% in Q4 2023 to 11.1% over the past 12 months.

- There is no new speculative office space currently under construction in Cardiff.

INVESTMENT

- There were no investment deals in Q4 2024. Investment activity was subdued in 2024, with volumes reaching £13.9m across two deals in Q1.
- Importantly, we expect investment volumes to improve in Q1 2025, given that 2 Callaghan Square exchanged toward the end of 2024, and that Caspian Point, Arup Building, and Churchill House are all under offer and expected to complete in early 2025.
- Prime office yields tightened by 25 bps to 7.25% in Q4 2024, reflecting an outward movement of 200 bps since the onset of the pandemic.

Edinburgh

Edinburgh recorded its strongest year in terms of take-up since 2017, underpinned by a significant pre-let involving Lloyds Banking Group. Availability of the very best stock remains limited, with extremely low vacancy for brand-new space.

Occupational

TAKE UP

2024 (SQ FT)

750,621

62%

2023: 462,928 sq ft



GRADE A SUPPLY

2024 (SQ FT)

656,030

-14%

2023 Grade A Supply 763,898 sq ft



PRIME RENT

Q4 2024 (£ PER SQ FT)

£45.00

5%

Q4 2023 Prime Rent £43.00 per sq ft

114

NUMBER OF DEALS

2024

2023: 138 deals

2025 PRIME RENT

FORECAST
(£ PER SQ FT)

£47.50



DEVELOPMENT PIPELINE

(U/C SPECULATIVE SQ FT)

89,000



Investment

INVESTMENT VOLUMES

2024

£95.3m

-59%

2023: £232.53m



PRIME YIELD

Q4 2024

6.50%

0 bps

Q4 2023 Prime Yield 6.50%

PRIME YIELD FORECAST



Inward

DEMAND

- ◆ Take-up in Q4 reached 473,460 sq ft, more than 4 times the level of the previous quarter and 164% above the 10-year Q4 average. Notably, this is the highest quarterly total on record.
- ◆ Leasing volumes totalled 750,621 sq ft in 2024, 62% ahead of the previous year. This figure is 29% above the 10-year annual average and marks the strongest performance since 2017.
- ◆ The uptick in activity was underpinned by Lloyds Banking Group taking 282,518 sq ft at Port Hamilton on a 21-year lease, the largest leasing deal to complete across all regional cities since 2021. In a £200m transformation led by Drum Property Group, this will become Lloyds' Scottish HQ.
- ◆ Consequently, the finance, banking, and insurance sector was the most active occupier group, accounting

for 53% of space leased annually. However, it was the professional services sector that accounted for the greatest number of deals completed at 27 out of 114.

- ◆ The average deal size was 6,584 sq ft in 2024, nearly double that in 2023.
- ◆ Grade A space accounted for 72% of annual take-up, up from 59% in 2023.
- ◆ The prime office rent remained stable at £45.00 per sq ft in Q4, reflecting annual growth of 5% and 27% since the onset of Covid-19.

SUPPLY

- ◆ Grade A availability fell to 656,030 sq ft in Q4 2024. Although this reflects a 14% decrease year-on-year, this total is 33% above the 5-year average.
- ◆ Total market vacancy rose marginally to 10.7% from 10.4% in 2023.

- ◆ When considered for new build grade A space, the vacancy rate falls to 0.4%, reflecting a lack of best quality space.
- ◆ At the close of 2024, just 89,000 sq ft of speculative office stock was under construction in Edinburgh's city centre. Comprising 2 buildings, both are expected to reach practical completion within H1 2025.

INVESTMENT

- ◆ In Q4, £6.36m of office stock was transacted.
- ◆ Investment volumes were modest throughout 2024, reaching £95.3m across 8 transactions. This total reflects a 59% fall compared to 2023 and is 56% below the 5-year annual average. Prime yields were 6.50% at the close of 2024, reflecting an inward shift of 25 bps quarter-on-quarter. At this level, they are 175 bps softer than before the pandemic.

Glasgow

Leasing activity rose above trend for the first time in three years, with demand consistently underpinned by the professional services sector. There is no office stock currently under construction with delivery dates beyond 2025.

Occupational

TAKE UP

2024 (SQ FT)

481,526
37%
2023: 350,779 sq ft



GRADE A SUPPLY

2024 (SQ FT)

551,994
-12%
2023 Grade A Supply 625,689 sq ft



PRIME RENT

Q4 2024 (£ PER SQ FT)

£39.50
3%

Q4 2023 Prime Rent £38.50 per sq ft

139

NUMBER OF DEALS

2024

2023: 109 deals

DEVELOPMENT PIPELINE

(U/C SPECULATIVE SQ FT)

289,356



2025 PRIME RENT FORECAST

(£ PER SQ FT)

£45.00



Investment

INVESTMENT VOLUMES

2024

£197.6m
46%
2023: £135.40m



PRIME YIELD

Q4 2024

7.50%
0 bps

Q4 2023 Prime Yield 7.50%

PRIME YIELD FORECAST



Inward

DEMAND

- ◆ Take-up during Q4 2024 was 154,797 sq ft, reflecting a 36% rise quarter-on-quarter and is 7% above the 10-year quarterly average. In 2024, leasing volumes reached 481,526 sq ft across 139 deals. This total is 37% above that recorded in 2023 and is 15% above the 5-year annual average. Notably, 2024 saw the strongest level of leasing activity since 2021.
- ◆ There is a further 84,660 sq ft of space currently under offer and 778,000 sq ft of active demand.
- ◆ The professional services sector dominated activity throughout 2024, accounting for one third of total take-up and 26% of deals completed.
- ◆ However, the largest transaction in Glasgow was the 63,000 sq ft letting at Aurora to energy provider SSE in Q4.

- ◆ The average deal size increased by 8% year-on-year to reach 3,464 sq ft in 2024.
- ◆ Grade A stock accounted for more than a third of space leased throughout the year.
- ◆ Prime office rents remained stable at £39.50 per sq ft, reflecting an annual rise of 3% and a 22% increase when compared to the pre-pandemic level.

SUPPLY

- ◆ Grade A availability stood at 551,994 sq ft at year-end, reflecting a fall of 12% year-on-year. This equates to a new & grade A vacancy rate of 2.76%.
- ◆ Total market vacancy increased to 9.62% at the end of 2024, up from 8.26% a year earlier.
- ◆ As of year-end, 289,356 sq ft of office stock was under construction across

3 buildings in Glasgow's city centre. Consisting solely of comprehensive refurbishment, the entirety is expected to reach practical completion by the end of 2025.

INVESTMENT

- ◆ In Q4 2024, £58.2m of office stock was transacted, with the majority accounted for by the sale of 122 Waterloo Street for £50.22m to French fund Iroko. This total reflects a quarterly increase of 48% and is 29% above the 5-year quarterly average.
- ◆ Annual investment volumes finalised at £197.6m. Comprising 15 deals, the 2024 total is 46% ahead of the previous year and 9% above the 5-year annual average.
- ◆ Prime yields remained stable at 7.50% at year-end, 225 bps softer than the pre-pandemic level.

Leeds

Investment activity registered an uptick in Q4, supporting a year-on-year increase in the annual total in Leeds. Supply of new & grade A stock continued to trend downwards as occupiers increasingly target the best buildings.

Occupational

TAKE UP 2024 (SQ FT)

0% **653,410**
2023: 651,461 sq ft



GRADE A SUPPLY 2024 (SQ FT)

-3% **171,785**
2023 Grade A Supply 176,286 sq ft



PRIME RENT Q4 2024 (£ PER SQ FT)

£39.00 3%
Q4 2023 Prime Rent £38.00 per sq ft



NUMBER OF DEALS 2024

113
2023: 127 deals



DEVELOPMENT PIPELINE (U/C SPECULATIVE SQ FT)

206,500



2025 PRIME RENT FORECAST (£ PER SQ FT)

£45.00



Investment

INVESTMENT VOLUMES 2024

74% **£139.5m**
2023: £80.40m



PRIME YIELD Q4 2024

7.00% 50 bps
Q4 2023 Prime Yield 6.50%



PRIME YIELD FORECAST



Inward

DEMAND

- ◆ Leeds witnessed strong occupier activity in Q4 2024, with leasing volumes reaching 157,706 sq ft. This reflects a year-on-year increase of 40% and is 10% above the 5-year quarterly average.
- ◆ In 2024, take-up totalled 653,410 sq ft, a marginal increase on the previous year and 14% above the 5-year annual average. Notably, this is the strongest annual performance since 2019.
- ◆ The professional services sector continued to be most active occupier group in 2024, accounting for 32% of all space leased and 27% of deals completed.
- ◆ However, the largest letting involved Leeds Teaching Hospitals NHS Trust taking 43,713 sq ft of space at Joseph's Well in Q2.

- ◆ The average deal size rose by 13% year-on-year to 5,782 sq ft.
- ◆ Grade A space accounted for 58% of total take-up in 2024.
- ◆ Prime office rents remained stable at £39.00 per sq ft in Q4 2024, reflecting an annual increase of 3%. However, £42.50 has been achieved at Globe Point for a 2,555 sq ft requirement.

SUPPLY

- ◆ Grade A availability in Leeds fell by 3% year-on-year to 171,785 sq ft of office stock, a figure 35% below the 10-year average for the city.
- ◆ The total market vacancy rate rose from 5.53% in 2023 to 6.84% in 2024.
- ◆ As at year-end, 206,500 sq ft of speculative stock was under construction in Leeds city centre, with expected delivery throughout

2026. Comprising 4 buildings, there is a mix of brand-new build and comprehensive refurbishment.

INVESTMENT

- ◆ Investment volumes saw a significant uplift in Q4, reaching £114.75m across 4 deals. This increase was supported by the sale of Central Square, 29 Wellington Street for £78m at a NIY of 8.00%. At this level, investment activity was more than double the 10-year quarterly average in Leeds.
- ◆ In 2024, investment registered a year-on-year increase of 74% to reach £139.5m. However, this is 16% below the 5-year annual average.
- ◆ Prime office yields held firm at 7.00%, reflecting an outward shift of 50 bps year-on-year and 200 bps since the onset of the pandemic.

Manchester

Occupier activity rose above trend in 2024, supported by the city's largest letting since 2018. Limited current and future supply saw the new & grade A vacancy rate fall.

Occupational

TAKE UP 2024 (SQ FT)

1,218,102
2023: 941,973 sq ft



GRADE A SUPPLY 2024 (SQ FT)

601,000
2023 Grade A Supply 649,129 sq ft



PRIME RENT Q4 2024 (£ PER SQ FT)

£45.00
Q4 2023 Prime Rent £43.00 per sq ft



NUMBER OF DEALS 2024

201
2023: 221 deals



DEVELOPMENT PIPELINE (U/C SPECULATIVE SQ FT)

432,253



2025 PRIME RENT FORECAST (£ PER SQ FT)

£46.50



Investment

INVESTMENT VOLUMES 2024

£196.2m
2023: £286.25m



PRIME YIELD Q4 2024

6.75%
Q4 2023 Prime Yield 6.50%



PRIME YIELD FORECAST



Inward

DEMAND

- ◆ Occupier take-up reached 280,598 sq ft in the fourth quarter of 2024, 40% above the equivalent period in 2023 and 7% above the 5-year quarterly average. Leasing volumes for the year totalled 1.22m sq ft across 201 deals, reflecting an increase of 29% year-on-year and broadly in line with the 10-year annual average.
- ◆ The professional services sector continued to dominate occupier activity in 2024, accounting for almost a third of space leased and of deals done.
- ◆ However, the largest occupier deal to complete was the 196,443 sq ft letting of the entire 4 Angel Square building to financial services firm BNY Mellon. This was the largest leasing transaction to complete in Manchester since 2018.

- ◆ The average deal size increased by 42% year-on-year to 6,060 sq ft.
- ◆ Grade A space accounted for more than half of total take-up in 2024.
- ◆ Prime rents reflected a 5% rise annually at the close of 2024 reaching £45.00 per sq ft.

SUPPLY

- ◆ Following the completion of 120,000 sq ft of brand-new space in Q4, grade A availability stood at 601,000 sq ft. This reflects a 9% increase compared to the previous quarter but is 12% below the 5-year average.
- ◆ The grade A vacancy rate stood at 3.3% at the close of 2024, down from 3.6% recorded the previous year.
- ◆ As at Q4 2024, there was 432,253 sq ft of speculative office space under

construction across 2 buildings. 3 Circle Square will deliver 127,097 sq ft of speculative space during H1 2025, whilst Rylands is a 305,156 sq ft comprehensive refurbishment that is expected to reach practical completion in 2027.

INVESTMENT

- ◆ Investment activity fell 51% quarter-on-quarter to reach £47.33m in Q4 2024, 52% below the 5-year quarterly average.
- ◆ In 2024, investment volumes reached £196.18m across 19 deals. This total reflects a 31% fall year-on-year and is 63% below the 10-year annual average for the city.
- ◆ Prime office yields remained stable at 6.75% in Q4 2024, reflecting an outward shift of 25 bps since the close of 2023 and 175 bps since the onset of the pandemic.

Newcastle

Leasing activity dipped, although there are several large deals currently under offer and a significant level of active demand in the market. Grade A supply remains below the long-term average.

Occupational

TAKE UP 2024 (SQ FT)

-35%
146,458
2023: 223,761 sq ft



GRADE A SUPPLY 2024 (SQ FT)

-17%
267,528
2023 Grade A Supply 323,730 sq ft



PRIME RENT Q4 2024 (£ PER SQ FT)

£32.00
Q4 2023 Prime Rent £32.00 per sq ft



NUMBER OF DEALS 2024

42
2023: 47 deals



DEVELOPMENT PIPELINE (U/C SPECULATIVE SQ FT)

0



2025 PRIME RENT FORECAST (£ PER SQ FT)

£33.00



Investment

INVESTMENT VOLUMES 2024

-61%
£24.1m
2023: £62.45m



PRIME YIELD Q4 2024

7.50%
Q4 2023 Prime Yield 7.50%



PRIME YIELD FORECAST

Stable



DEMAND

- ◆ Leasing volumes in Newcastle reached 22,536 sq ft in Q4, 52% below the total recorded in Q3 2024 and 68% below the 5-year quarterly average. The annual measure of take-up shows that 146,458 sq ft has been leased. This figure is 35% below the 2023 total and is 39% below the 10-year annual average.
- ◆ The average deal size fell to 3,487 sq ft in 2024 from 4,761 sq ft the previous year.
- ◆ However, there are several large deals under offer that are expected to transact in the first half of 2025, and 431,500 sq ft of active demand.
- ◆ The largest deal to transact in 2024 involved rail operator LNER, which took 16,454 sq ft over two floors at 1 St James Gate in Q3.
- ◆ However, the professional services sector accounted for the greatest

proportion of space leased at 36% of annual take-up and 38% of deals completed.

- ◆ Grade A space accounted for 74% of annual take-up in 2024, up from 63% in 2023.
- ◆ Prime rents remained stable at £32.00 per sq ft, having experienced sustained long-term growth. Notably, this reflects a 31% increase since the onset of the pandemic, the highest rental uplift seen across all the regional cities tracked.
- ◆ The typical rent-free period given is 21 months.

SUPPLY

- ◆ Grade A availability fell to 267,528 sq ft in Q4 2024, a figure 17% below the equivalent point in 2023 and a percentage point lower than the 5-year average for Newcastle.

- ◆ The total market vacancy rate remained stable at 9.0%.
- ◆ At the close of the year, no significant office developments were under construction in Newcastle's city centre.

INVESTMENT

- ◆ There were no investment deals in Newcastle in Q4 2024.
- ◆ As such, investment activity was muted during 2024, reaching £24.13m across 5 deals. This total reflects a 61% year-on-year fall.
- ◆ The largest deal to transact was the sale of Stockbridge House, Trinity Gardens to Newcastle City Council for £8.6m.
- ◆ Prime office yields remained stable at 7.50%, 175 bps softer than recorded prior to the pandemic.

Sheffield

Leasing volumes saw a steady uptick throughout 2024, rising above trend in the final quarter. Grade A supply remained stable, although there is no new or refurbished space currently under construction in Sheffield.

Occupational

TAKE UP 2024 (SQ FT)

-34%
246,975
2023: 374,120 sq ft



GRADE A SUPPLY 2024 (SQ FT)

56%
202,300
2023 Grade A Supply 130,000 sq ft



PRIME RENT Q4 2024 (£ PER SQ FT)

£30.00
Q4 2023 Prime Rent £27.00 per sq ft 11%



NUMBER OF DEALS 2024

70
2023: 80 deals



DEVELOPMENT PIPELINE (U/C SPECULATIVE SQ FT)

0



2025 PRIME RENT FORECAST (£ PER SQ FT)

£30.50



Investment

INVESTMENT VOLUMES 2024

-82%
£1.6m
2023: £8.62m



PRIME YIELD Q4 2024

7.50%
Q4 2023 Prime Yield 7.25% 25 bps



PRIME YIELD FORECAST



Inward

DEMAND

- ◆ Occupier take-up in Sheffield reached 82,422 sq ft in Q4, reflecting an increase of 21% quarter-on-quarter and is 8% above the 5-year quarterly average. However, the annual measure of activity shows that 246,975 sq ft of space has been leased. This total is 34% below the previous year and is 19% below the 5-year annual average.
- ◆ The professional services sector underpinned occupier demand in 2024, accounting for nearly a third of all space leased and more than a quarter of deals done.
- ◆ However, the largest leasing transaction to complete in 2024 involved nursing care provider Exemplar Health Care, which took 20,439 sq ft of space at Signet House, Sheffield Business Park in Q4.

- ◆ The average deal size fell by a quarter in 2024 to 3,528 sq ft.
- ◆ Prime office rents in Sheffield remained at £30.00 per sq ft at the close of 2024, having risen by 11% year-on-year.

SUPPLY

- ◆ Grade A availability in Sheffield stood at 202,300 sq ft at the end 2024, remaining stable for the second consecutive quarter. At this level, supply of grade A stock is 56% above the previous year and is 44% higher than the 10-year average.
- ◆ The total market vacancy rate stood at 6.4% at the close of 2024, remaining stable quarter-on-quarter and reflecting a marginal fall from the 6.8% measured at the equivalent point in 2023.

- ◆ Following the delivery of 110,000 sq ft of brand-new space at Plot 4a, West Bar, there is no office stock currently under construction in Sheffield.

INVESTMENT

- ◆ No deals completed in Q4 2024. As such, investment volumes for the year were limited. Comprising solely the sale of Building 2, Europa View, Sheffield Business Park to a private property company for £1.58m, this figure is 82% below that recorded in 2023 and is 97% below the 10-year annual average.
- ◆ However, we expect an uptick in investment activity in 2025.
- ◆ Prime office yields have stabilised at 7.50%, 25 bps softer than the level recorded at the close of 2023 and 125 bps softer than before the onset of the pandemic.



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