North East

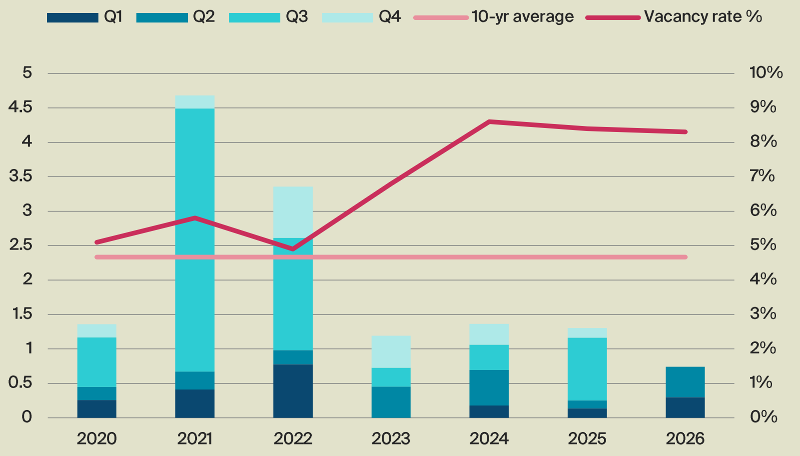
445k sq ft
Occupier take up Q2 2026

8.3%
Vacancy rate Q2 2026

£9.00 psf
Prime rents Q2 2026

12.5%
Prime annual rental growth

Take up and vacancy (Units 50,000 sq ft+)
Million sq ft



Source: Knight Frank Insight

RETAILERS DRIVE RECOVERY AS DEMAND OUTPACES SUPPLY

Take-up reached 445,259 sq ft by mid-2026, up 50% q/q and 286% y/y. However, the rebound was driven primarily by retail and -commerce occupiers rather than a broad-based market recovery. Second-hand stock accounted for 308,000 sq ft of transactions, compared with just 136,000 sq ft of new or refurbished space, highlighting the limited availability of modern accommodation.

The quarter's key deals reinforce this trend. HFD Group leased the newly completed 65,000 sq ft Centralway 65 scheme in Gateshead at £9.00 psf, demonstrating occupiers' willingness to pay a premium for high-quality new space. NHC Group, a retail wholesaler, acquired 56,000 sq ft of second-hand Grade A space at Aycliffe Point in Newton Aycliffe, while Project Padel leased 53,000 sq ft of Grade A accommodation at Unit C, Merlin Way, North Tyneside. Together, these transactions highlight growing competition for the region's limited supply of high-quality space.

GRADE A SHORTAGES INTENSIFY AS AVAILABILITY FALLS

Availability has fallen to 3.9m sq ft, down 11% q/q and 2% below the long-term average, as stronger take-up combines with a lack of new supply.

Of the total available space, just 1.0m sq ft comprises new stock, compared with 2.8 million sq ft of second-hand accommodation, leaving occupiers with relatively few modern options. As a result, the overall vacancy rate has fallen to 8.3%, down from 9.4% in Q1 and 9.6% a year earlier.

The supply squeeze is most evident in the Grade A market, where the vacancy rate stands at just 3.5%. With only 1.3m sq ft of Grade A space available and no significant completions delivered during the first half of the year, the gap between occupier demand and supply of high-quality accommodation looks set to widen further.

RECORD RENTS REFLECT TIGHT MARKET CONDITIONS

Prime rents for units above 50,000 sq ft in Newcastle have reached a record £9.00 psf, representing growth of 12.5% both q/q and y/y.

The increase reflects a widening imbalance between demand and the availability of quality space, rather than speculative rental growth. With occupiers competing for a limited pool of modern accommodation, pricing continues to strengthen.

Looking ahead, Knight Frank Insight has upgraded its average rental growth projections for the region to 3.6%, expecting persistent undersupply to keep supporting pricing even as take-up normalises.