North East

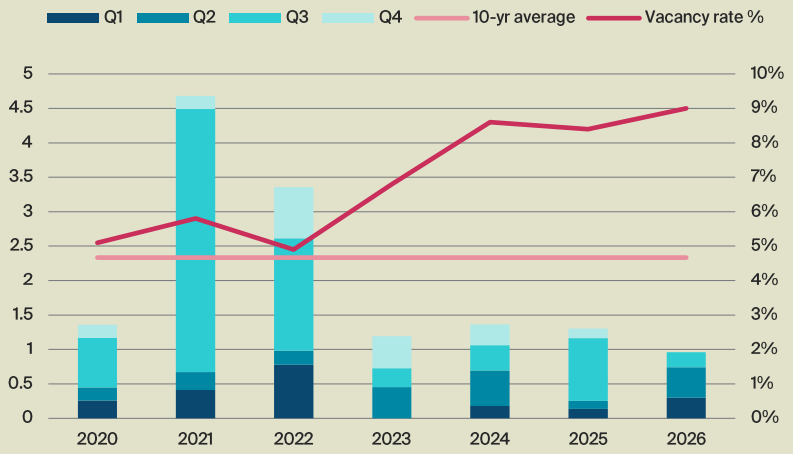
218k sq ft
Occupier take up Q3 2026

9.0%
Vacancy rate Q3 2026

£9.00 psf
Prime rents Q3 2026

12.5%
Prime annual rental growth

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



Source: Knight Frank Insight

SECOND-HAND SPACE MEETS LARGER REQUIREMENTS

Take up reached 217,899 sq ft in Q3 2026, marking a 51% decline from the 445,259 sq ft recorded last quarter. Just two transactions over 50,000 sq ft completed during the quarter, both in the 100,000-250,000 sq ft size band, and both involving second-hand space.

Although the fall in space taken up partly reflects the limited number of deals completed, the absence of new development activity means that larger requirements must be met through existing stock, with occupiers adapting second-hand space to suit their needs.

The largest transaction saw Buby, a manufacturer of die-cast scale model cars, take the 114,900 sq ft former Hydro Extrusion facility in Birtley, which became available following the plant's closure in May 2025. Buffalo Power Services, a temporary power suppliers specialising in concerts and festivals, completed the quarter's other transaction, taking 103,000 sq ft of space at The Forge in Peterlee. Together, the lettings show that demand for larger units remains, but occupiers are having to turn to second-hand buildings in the absence of suitable modern alternatives.

RISING AVAILABILITY MASKS A SHORTAGE OF MODERN SPACE

Availability across the North East rose by 8% q/q and 5% y/y to 4.3 million sq ft, as more space returned to the market. This pushed the vacancy rate up to 9.0%, from 8.3% in Q2. Despite the increase, occupier choice remains limited for modern space, with new units accounting for just 23% or 993,123 sq ft of available stock, compared with 3.3 million sq ft of second-hand accommodation.

Supply constraints are further exacerbated by the absence of speculative development activity, with no units currently under construction.

RECORD RENTS REFLECT TIGHT MARKET CONDITIONS

Prime rents for units above 50,000 sq ft in Newcastle remained at a record £9.00 psf in Q3, representing growth of 12.5% 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 2.5%, expecting persistent undersupply to keep supporting pricing even as take up normalises.