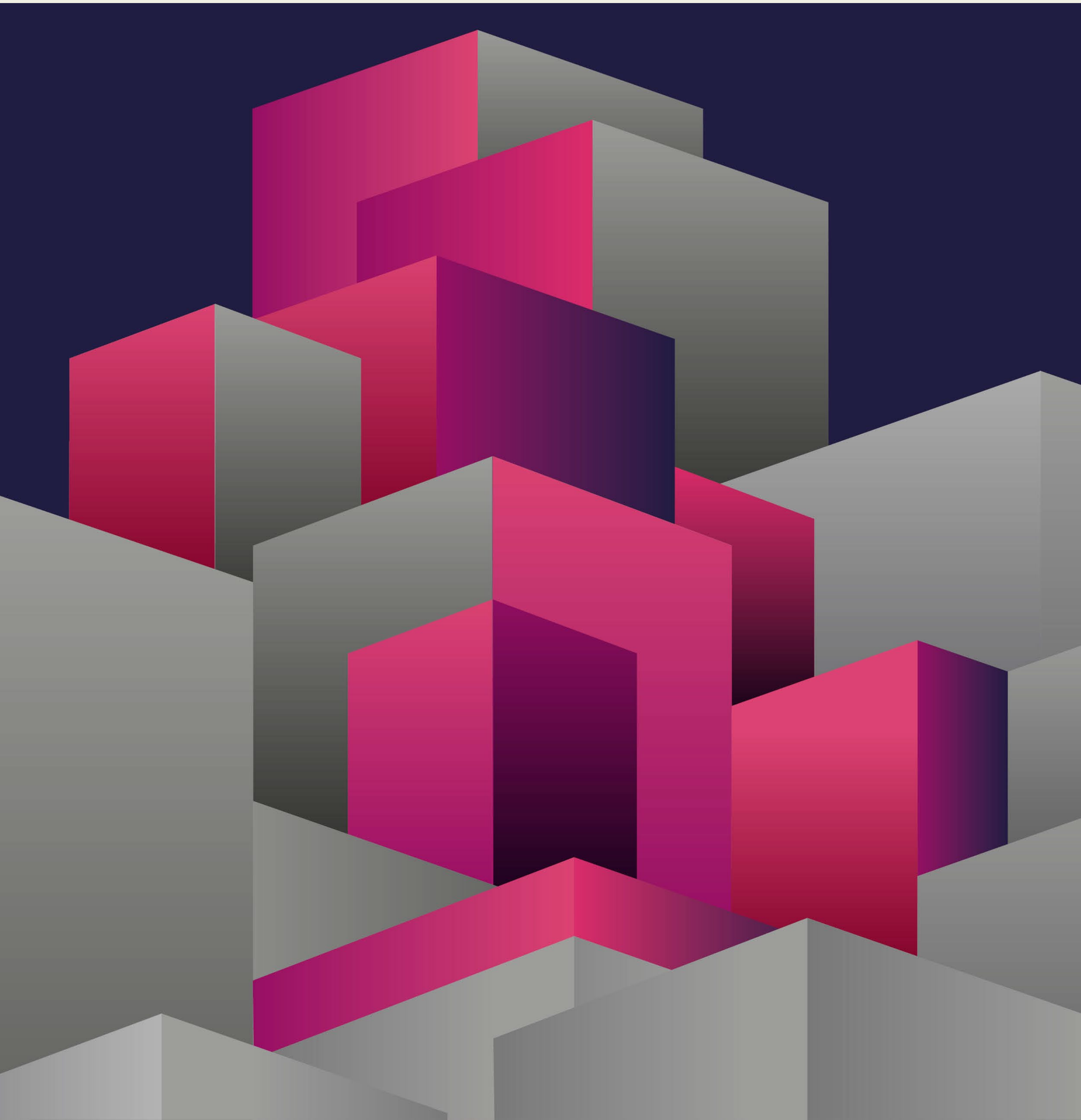
UK Cities

H1 2025

OFFICE MARKET MID YEAR REVIEW

knightfrank.com/research



Contents

05 | ABERDEEN
10 | EDINBURGH
11 | GLASGOW
14 | NEWCASTLE
12 | LEEDS
13 | MANCHESTER
16 | SHEFFIELD
06 | BIRMINGHAM
09 | CARDIFF
07 | BRISTOL

Key takeaways

1

Leasing activity continued to grow year-on-year, with take-up reaching 2.5m sq ft in the first six months of 2025.

2

Seven out of the ten regional cities recorded year-on-year rental growth, reaching as high as 20%.

3

Availability of new & grade A space is limited, with a vacancy rate of 3.0%, effecting a ‘fight for quality’.

4

Investment volumes were subdued in H1, reaching £373.5m across the ten UK cities.

5

Pricing for prime assets remained unchanged at 6.50%.

Executive summary

REGIONAL LEASING HITS THREE-YEAR HIGH

During the first six months of 2025, leasing activity sustained momentum, with take-up reaching 2.5m sq ft across the ten regional cities tracked. This figure is 7% higher when compared to the same period in 2024 and 7% above the five-year average for the first half of the year. It also marks the strongest H1 performance recorded since 2022.

A total of 493 deals were completed in H1 2025, a 5% decrease from the 519 recorded in H1 2024 and 2% below the five-year average for the period. Despite the lower volume, the average deal size rose from 4,455 sq ft to 5,022 sq ft, indicating strengthening occupier confidence in taking on larger spaces.

PROFESSIONAL SERVICES AND TECH SECTORS UNDERPIN DEMAND

In H1 2025, the professional services and technology, media, and telecommunications (TMT) sectors were the most active, accounting for 19% and 18% of total space leased, respectively. The same pattern is reflected in deal volumes, with professional services completing 92 transactions and TMT completing 93. Together, these sectors represented 38% of all deals, underlining their dominant role in driving leasing activity during the period.

TOP FIRMS GROW REGIONAL FOOTPRINT IN H1 2025

Several leading firms have expanded their footprint in 2025, with multiple companies securing space in more than one UK city. For example, legal firm Addleshaw Goddard leased 29,079 sq ft at 24–25 St Andrew Square in Edinburgh and 11,648 sq ft at 151–155 St Vincent Street in Glasgow, both in Q2. Likewise, flexible workspace provider International Workplace Group (IWG) took 13,519 sq ft at One Sovereign Key in Leeds and 11,743 sq ft at 40 Queen's Square in Bristol.

In total, ten companies completed transactions in more than one city during H1 2025, highlighting the increasing importance of establishing a presence beyond the capital and across multiple regional markets.

MARKET DIVERGENCE CONTINUES

During H1 2025, new and grade A space accounted for 55% of total office take-up across the UK's 10 regional cities, underscoring sustained demand for high-quality accommodation. Competition for this limited segment of the market is intensifying, with vacancy at just 3.1% of total office stock.

Looking ahead, 2.1m sq ft of new and comprehensively refurbished space is under construction across the regional cities, with completion timelines extending to the end of 2027. Close to one-third of this space has already been pre-let, offering limited availability for occupiers targeting prime space.

INVESTMENT MARKET TURNING POINT?

The investment market struggled to gain momentum in the first half of 2025, with transaction volumes totalling £373.5 million across the main regional cities. This figure is 25% lower than at the same point in 2024 and 48% below the five-year H1 average.

However, there were signs of improving activity, with nearly £350 million of assets either under offer or recently exchanged by the end of the quarter. At the same time, available stock approached £400 million, indicating that vendor and buyer expectations are becoming increasingly aligned with current market conditions.

Q2 SEES LARGEST REGIONAL OFFICE DEAL OF 2025

The second quarter saw the first two transactions of 2025 exceeding £25m. In Manchester, Guernsey-based Melford Capital acquired 101 Embankment from M&G for £74m, marking the largest regional office deal completed this year. In Birmingham, a private investor purchased Baskerville House from Federated Hermes for an undisclosed sum. These completions highlight growing liquidity at the upper end of the market.

THE BEGINNING OF YIELD CONTRACTION?

After a period of substantial value adjustment, investors are starting to re-engage, particularly where pricing now reflects current macroeconomic realities. The recent decrease in UK interest rates has further supported sentiment, making acquisitions more attractive and helping to narrow the gap between buyer and seller expectations. As alignment improves, more assets will come to market at achievable price points, releasing capital that had been held back.

Aberdeen

Occupier demand remained strong, bolstered by the largest letting to complete since 2022. The investment market continued to perform above the long-term trend level for the city.

Occupational

TAKE UP
H1 2025 (SQ FT)

80% **164,354**
H1 2024: 91,445 sq ft

GRADE A SUPPLY
Q2 2025 (SQ FT)

-4% **176,658**
Q2 2024 Grade A Supply 184,089 sq ft

PRIME RENT
Q2 2025 (£ SQ FT)

£32.50 0%
Q2 2024 Prime Rent £32.50 per sq ft

31
NUMBER OF DEALS
H1 2025

H1 2024: 40 deals

DEVELOPMENT PIPELINE
(U/C SPECULATIVE SQ FT)

0

PRIME RENT FORECAST
2025 (PER SQ FT)

£32.50

Investment

INVESTMENT VOLUMES
H1 2025

-53% **£31.5m**
H1 2024: £66.5m

PRIME YIELD
Q2 2025

10.00% 0 bps
Q2 2024 Prime Yield 10.00%

PRIME YIELD FORECAST

%

Stable

DEMAND

- Occupier activity registered an uptick in H1 2025, with take-up totalling 164,354 sq ft across 31 deals. This reflects an 80% increase when compared to the equivalent period in 2024 and is 22% above the 5-year average for an H1 period.
- The increase in take-up was underpinned by Altrad UK taking 70,415 sq ft at The Apex, the second largest leasing deal to complete in Aberdeen since Q1 2022.
- Consequently, the energy and utilities sector continued to dominate activity during the first half of 2025, accounting for 52% of space leased and 7 out of 31 deals completed. Notably, the sector has accounted for the highest percentage of occupier take-up since 2018.
- At quarter end, there is a further 30,000 sq ft of space under offer and 385,275 sq ft of active demand in the market.
- The prime rent remained stable at £32.50 per sq ft in Q2 2025.

SUPPLY

- Grade A availability stood at 176,658 sq ft at the end of Q2, reflecting a 4% fall compared when compared to the previous year. This is 37% below the 5-year average in Aberdeen.
- The total market vacancy rate stood at 17.0% at the close of Q2 2025, having fallen from the 18.0% last year.
- Following the completion of Aurora in the second quarter, there is no office stock currently under construction in Aberdeen.

INVESTMENT

- Investment activity was muted during the first half of 2025, finishing at £31.5m across five deals. This total reflects a 53% year-on-year fall but is 16% above the 5-year H1 average.
- The largest investment deal of the year to date was the sale of Unit 2 Aberdeen Business Park for £14.4m at a NIY of 8.10% to French investor Remake in Q2.
- Prime yields remained stable at 10.00%, 350 bps softer than recorded at the onset of the covid-19 pandemic. This marks the largest shift registered across all ten UK cities tracked.

Birmingham

Prime rents continued to rise, driven by the delivery of new best-quality space across the city. Following a period of muted investment activity, volumes have begun to rebound.

Occupational

TAKE UP
H1 2025 (SQ FT)

-50% **185,804**
H1 2024: 368,794 sq ft

GRADE A SUPPLY
Q2 2025 (SQ FT)

50% **441,600**
Q2 2024 Grade A Supply 293,618 sq ft

PRIME RENT
Q2 2025 (£ PER SQ FT)

£45.00 6%
Q2 2024 Prime Rent £42.50 per sq ft

39

NUMBER OF DEALS
H1 2025

H1 2024: 46 deals

DEVELOPMENT
PIPELINE
(U/C SPECULATIVE SQ FT)

585,550

PRIME RENT FORECAST
2025 (PER SQ FT)

£47.50

Investment

INVESTMENT VOLUMES
H1 2025

400% **£65.0m**
H1 2024: £13.0m

PRIME YIELD
Q2 2025

6.75% 0 bps
Q2 2024 Prime Yield 6.75%

PRIME YIELD FORECAST

%

Stable

DEMAND

- Occupier take-up in H1 totalled 185,804 sq ft, 50% below the equivalent period in 2024 and 35% below the 5-year H1 average.
- Professional Services firms accounted for the highest percentage of space leased at 46% and account for nearly a third of deals completed.
- The largest occupier deal to complete in the city in 2025, involved serviced office provider Covalt, which took 27,000 sq ft at One Victoria Square.
- New and grade A space accounted for 74% of total take-up in H1 2025.
- Measured at quarter end, there is a further 450,000 sq ft of space under offer and 890,000 sq ft of active demand in the market.
- Prime office rents in Birmingham continue to rise, reaching £45.00 per sq ft in Q2. This reflects a 6% annual increase and a 29% rise compared to pre-pandemic levels.

SUPPLY

- New build grade A availability in Birmingham increased by 50% year-on-year to 441,600 sq ft, a figure 2% above the 5-year average for the city.
- The total market vacancy rate remained stable at 5.8%.
- As of Q2 2025, 585,550 sq ft of new and comprehensively refurbished speculative space was under construction in Birmingham's city centre. Comprising six buildings, practical completion is expected from later this year through to 2027.

INVESTMENT

- In H1, £65m of office stock was transacted, comprising of 6 deals. This total reflects a five-fold increase when compared to the equivalent period in 2024 but is 30% below the 5-year H1 average.
- The largest deal to complete involved the sale of Baskerville House, Centenary Square, which was bought by Dutch investor Priory Group in Q2 for £38m from Federated Hermes.
- Prime office yields are stable at 6.75%. This is 175 bps above the pre-pandemic level.

Bristol

Although recent completions have kept grade A availability above trend, there is little future development in the pipeline. As such, prime rents are expected to reach the £50.00 per sq ft mark by year-end.

Occupational

TAKE UP
H1 2025 (SQ FT)

-16% **211,653**
H1 2024: 253,035 sq ft

GRADE A SUPPLY
Q2 2025 (SQ FT)

55% **279,198**
Q2 2024 Grade A Supply 180,504 sq ft

PRIME RENT
Q2 2025 (£ PER SQ FT)

£49.00 2%
Q2 2024 Prime Rent £48.00 per sq ft

44

NUMBER OF DEALS
H1 2025

H1 2024: 49 deals

DEVELOPMENT PIPELINE
(U/C SPECULATIVE SQ FT)

59,000

PRIME RENT FORECAST
2025 (PER SQ FT)

£50.00

Investment

INVESTMENT VOLUMES
H1 2025

-57% **£73.8m**
H1 2024: £172.4m

PRIME YIELD
Q2 2025

6.75% 0 bps
Q2 2024 Prime Yield 6.75%

PRIME YIELD FORECAST

Stable

DEMAND

- Office take-up registered a 16% year-on-year decrease in H1 2025,with take-up reaching 211,653 sq ft across 44 deals..
- Professional services firm have been the most active business group in 2025, accounting for one fifth of space leased and 29% of deals done in the first half of 2025.
- The largest leasing transaction in H1 however, involved energy provider OVO, which pre-let 22,892 sq ft at CEG's Crescent building.
- New and grade A space accounted for 41% of take-up in H1.
- At quarter end, there was a further 100,000 sq ft of space under offer and 300,000 sq ft of active demand in Bristol.
- Prime office rents continued to show an increase in the first half of 2025, rising by2% year-on-year to reach £49.00 per sq ft. This is 31% above the pre-pandemic level.

SUPPLY

- Following the completion of Welcome Building within the past 12 months, new build grade A availability rose to 279,198 sq ft in Q2 2025. This reflects a 55% annual increase and is more than double the 5-year average for the city.
- The overall market vacancy rate rose by one percentage point from 7.8% in Q2 2024 to 8.8% in Q2 2025.
- Bristol's pipeline is limited, with one speculative office building currently under construction. One Friary will deliver 59,000 sq ft of comprehensively refurbished space and is expected to reach practical completion in early 2026.

INVESTMENT

- Investment activity in Bristol remained subdued in the first half of 2025, with office investment volumes totalling £73.8 million across seven deals, representing a 47% decline compared to the five-year H1 average.
- The largest deal to complete during H1 2025 was the sale of 3 Temple Quay to UK commercial real estate investor Greenridge for £21.4m in Q1.
- Prime office yields held firm at 6.75%, 175 bps softer than the pre-pandemic level.

Cardiff

A second increase in nine months saw prime rents reach £30.00 per sq ft, against the backdrop of narrowing grade A supply. A strengthening investment market has resulted in yield compression over the past year.

Occupational

TAKE UP
H1 2025 (SQ FT)
-29% **133,843**
H1 2024: 188,112 sq ft

GRADE A SUPPLY
Q2 2025 (SQ FT)
-30% **273,017**
Q2 2024 Grade A Supply 391,647 sq ft

PRIME RENT
Q2 2025 (£ PER SQ FT)
£30.00 20%
Q2 2024 Prime Rent £25.00 per sq ft

34
NUMBER OF DEALS
H1 2025
H1 2024: 49 deals

DEVELOPMENT PIPELINE
(U/C SPECULATIVE SQ FT)
0

PRIME RENT FORECAST
2025 (PER SQ FT)
£32.00

Investment

INVESTMENT VOLUMES
H1 2025
170% **£37.6m**
H1 2024: £13.9m

PRIME YIELD
Q2 2025
7.25% 25 bps
Q2 2024 Prime Yield 7.50%

PRIME YIELD FORECAST
%
Stable

DEMAND

- Take-up in the first half of the year totalled 133,843 sq ft, reflecting a 29% decline compared to the same period last year.
- Finance, banking, and insurance was the most active sector in the first half of 2025, accounting for 46% of all space leased.
- The largest letting of H1 involved fintech firm Creditsafe taking 49,937 sq ft on a 15-year lease at out-of-town Ty Meridian, Cardiff Gate Business Park.
- Interestingly, in terms of deals done, it was the construction and engineering sector that accounted for the highest number accounting for 7 out of 34 deals.
- At quarter end, there is a further 114,833 sq ft of space currently under offer.
- Prime office rents have increased by 20% year-on-year reaching £30.00 per sq ft in Q2. This is the highest annual growth rate seen across all 10 regional cities tracked.

SUPPLY

- New and grade A availability fell by 30% year-on-year to 273,017 sq ft at the close of H1. This level is 16% below the 5-year average in Cardiff.
- The total market vacancy rate declined from 12.5% in Q2 2024 to 11.1% in Q2 2025. For new and Grade A stock, the vacancy rate fell to 2.3%, down from 3.3% a year earlier.
- Owing to the pre-let of the entire demise at John Street, there are no speculative office developments currently under construction in Cardiff.

INVESTMENT

- Investment activity registered an uptick in H1 2025, with £37.6m of stock transacted across 5 deals. This total is 170% ahead of the equivalent period in 2024 and is 10% above the 5-year H1 average.
- The largest transaction was 1&2 Caspian Point, which was bought by local investor Second Horizon Capital in Q1 for £10.8m.
- Prime office yields have moved in by 25 bps over the past 12 months to 7.25% in Q2 2025,. Even, the current level reflects an outward shift of 200 bps since the onset of the pandemic.
- Prime yields are expected to sharpen further as investor interest increases and the geopolitical outlook stabilises.

Edinburgh

A lack of best-quality available space has fuelled rental growth in the city. Despite limited investment activity, sentiment is improving, and prime pricing has started to contract.

Occupational

TAKE UP
H1 2025 (SQ FT)

16% **188,150**
H1 2024: 162,570 sq ft

GRADE A SUPPLY
Q2 2025 (SQ FT)

-5% **677,134**
Q2 2024 Grade A Supply 711,361 sq ft

PRIME RENT
Q2 2025 (£ PER SQ FT)

£46.00 2%
Q2 2024 Prime Rent £45.00 per sq ft

58

NUMBER OF DEALS
H1 2025

H1 2024: 53 deals

DEVELOPMENT
PIPELINE
(U/C SPECULATIVE SQ FT)

0

PRIME RENT FORECAST
2025 (PER SQ FT)

£47.50

Investment

INVESTMENT VOLUMES
H1 2025

-92% **£3.3m**
H1 2024: £40.9m

PRIME YIELD
Q2 2025

6.50% 25 bps
Q2 2024 Prime Yield 6.75%

PRIME YIELD FORECAST

Stable

DEMAND

- Occupier take-up during H1 2025 reached 188,150 sq ft, reflecting a 16% rise year-on-year.
- Underpinning activity was the TMT sector, which accounted for one third of total space leased and 14 out of 58 deals done.
- The largest letting to complete in H1 involved data and analytics consultancy Wood Mackenzie, which took 29,690 sq ft of space at Waverley Gate, Waterloo Place.
- New & grade A space accounted for 59% of leasing activity in H1.
- Prime rents remained stable at £46.00 per sq ft, reflecting a 2% year-on-year rise. Notably, rents in Q2 2025 are 30% above the level ahead of the pandemic.

SUPPLY

- Grade A availability in Edinburgh's office market declined by 3% quarter-on-quarter, reaching 677,134 sq ft in Q2 2025. On an annual basis, this represents a 5% reduction, underscoring sustained occupier demand for high-quality space amid constrained supply.
- Overall market vacancy was 10.0% at the close of H1, down from 11.2% measured at the close of H1 2024. When considered for just Grade A space, vacancy falls to 6.4%.
- Following the recent completions of New Clarendon and 30 Semple Street, there are no speculative office developments currently under construction in Edinburgh.

INVESTMENT

- Office investment activity remained subdued in H1 2025, with just £3.3m transacted across two deals.
- The two deals to complete were the sale of 48-50 Melville Street for £3.3m. Additionally, Scarborough Group International (SGI) purchased the former Younger Building at the Gyle, Edinburgh, from OakNorth Bank for an undisclosed sum.
- Prime office yields stood at 6.50%, at the end of Q2 reflecting an inward shift of 25 bps year-on-year. This is 175 bps softer than the pre-pandemic level.

Glasgow

Occupier demand remained consistent, underpinned by sustained activity from the professional services sector. Market dynamics continue to support rental growth, with supply tightening.

Occupational

TAKE UP
H1 2025 (SQ FT)

21% **267,201**
H1 2024: 220,547 sq ft

GRADE A SUPPLY
Q2 2025 (SQ FT)

-31% **538,631**
Q2 2024 Grade A Supply 779,500 sq ft

PRIME RENT
Q2 2025 (£ PER SQ FT)

£41.50 5%
Q2 2024 Prime Rent £39.50 per sq ft

76

NUMBER OF DEALS
H1 2025

H1 2024: 75 deals

DEVELOPMENT
PIPELINE
(U/C SPECULATIVE SQ FT)

72,356

PRIME RENT FORECAST
2025 (PER SQ FT)

£42.50

Investment

INVESTMENT VOLUMES
H1 2025

-100% **£0m**
H1 2024: £100.1m

PRIME YIELD
Q2 2025

7.50% 0 bps
Q2 2024 Prime Yield 7.50%

PRIME YIELD FORECAST

%

Stable

DEMAND

- Take-up across the city reached 267,201 sq ft in H1 2025, 21% ahead of the equivalent period in 2024 and the 5-year average for an H1 period.
- The largest occupier deal to complete in first half of 2025 involved legal firm Pinsent Masons, which took 31,724 sq ft at Aurora, 120 Bothwell Street.
- Consequently, professional services firms underpinned occupier activity, accounting for 38% of space leased and close to 50% of deals completed.
- Following steady rental growth, the prime rent in Glasgow was £41.50 per sq ft at the close of H1, reflecting a 5% rise year-on-year. Notably, this is 28% above the level recorded at the onset of the pandemic.

SUPPLY

- Grade A availability remained largely unchanged quarter-on-quarter at 538,631 sq ft. This total is 31% less when compared to the equivalent point in 2024.
- Total market vacancy rate was 9.3% at the mid year point of 2025. When considered in terms of just Grade A space, this percentage falls to 3.8%.
- At mid year, only the comprehensive refurbishment at 5 Cadogan Street was under construction. Planning has been approved on three further schemes totalling 544,000 sq ft, albeit not confirmed start dates have been announced.

INVESTMENT

- There were no significant office transactions to report in H1 2025.
- Prime office yields remained stable at 7.50%, reflecting an outward movement of 225 bps since the onset of the pandemic in 2020.

Leeds

Mid-year take-up remains comfortably above the trend level, with consistent demand and a tightening supply of top-quality space expected to fuel further rental growth in the second half of 2025.

Occupational

TAKE UP
H1 2025 (SQ FT)

-7% **325,611**
H1 2024: 349,332 sq ft

GRADE A SUPPLY
Q2 2025 (SQ FT)

4% **200,764**
Q2 2024 Grade A Supply 192,841sq ft

PRIME RENT
Q2 2025 (£ PER SQ FT)

£40.00 5%
Q2 2024 Prime Rent £38.00 per sq ft

46

NUMBER OF DEALS
H1 2025

H1 2024: 53 deals

DEVELOPMENT
PIPELINE
(U/C SPECULATIVE SQ FT)

43,000

PRIME RENT FORECAST
2025 (PER SQ FT)

£46.00

Investment

INVESTMENT VOLUMES
H1 2025

77% **£43.7m**
H1 2024: £24.8m

PRIME YIELD
Q2 2025

7.00% 0 bps
Q2 2024 Prime Yield 7.00%

PRIME YIELD FORECAST

%

Stable

DEMAND

- Occupier take-up in H1 totalled 325,611 sq ft, reflecting a 7% fall year-on-year. Even so, the H1 2025 total was 10% above the 10-year average for an H1 period.
- The largest occupier transaction in Leeds was the sale and leaseback of 108,567 sq ft at Princes Exchange to Network Rail.
- On a deal count basis, the TMT sector has been most active in H1 2025 accounting for 32% of deals completed.
- New and grade A space accounted for 61% of take-up in H1.
- Prime office rents registered further increase in Q2 rising by 3% to £40.00 per sq ft. Notably, rents are now 25% above the pre-pandemic level.

SUPPLY

- Grade A availability was 200,764 sq ft at mid-year. This total is 27% below the 5-year average.
- Total market vacancy remained stable in Q2 at 6.4%, reflecting a marginal decrease when compared to the same juncture in 2024. When considered for just Grade A space, vacancy sat at close to 2% at the close of the second quarter.
- As at Q2 2025, there was 134,985 sq ft of office space under construction. Of this, only 43,000 sq ft is available with completion due in 2026. There is a further 630,000 sq ft between six developments that are proposing a start on site within the next sixmonths, stretching delivery into late 2027 / early 2028.

INVESTMENT

- In H1, £43.7m of office stock was transacted across six assets. This total reflects an increase of 77% when compared to H1 2024.
- The largest deal to complete within the first six months of the year involved the sale of The Mint Building for £16m to UK investor DS Properties in Q1.
- Prime office yields remained stable at 7.00% in Q2 2025, reflecting an outward shift of 200 bps since the onset of the pandemic.

Manchester

Occupier activity rose quarter-on-quarter, driven by a significant pre-let in the TMT sector. Availability of new and grade A space continued to tighten, remaining below the long-term average.

Occupational

TAKE UP
H1 2025 (SQ FT)

581,542 ▲ 15%
H1 2024: 504,885 sq ft

GRADE A SUPPLY
Q2 2025 (SQ FT)

568,666 ▼ -20%
Q2 2024 Grade A Supply 712,231 sq ft

PRIME RENT
Q2 2025 (£ PER SQ FT)

£45.00 0%
Q2 2024 Prime Rent £45.00 per sq ft

102

NUMBER OF DEALS
H1 2025

H1 2024: 102 deals

DEVELOPMENT
PIPELINE
(U/C SPECULATIVE SQ FT)

305,156

PRIME RENT FORECAST
2025 (PER SQ FT)

£48.00

Investment

INVESTMENT VOLUMES
H1 2025

£94.9m ▲ 80%
H1 2024: £52.8m

PRIME YIELD
Q2 2025

6.75% 0 bps
Q2 2024 Prime Yield 6.75%

PRIME YIELD FORECAST

Stable

DEMAND

- Take up in H1 2025 reached 581,542 sq ft, 15% ahead of the equivalent period in 2024 and 10% above the 10-year H1 average.
- The TMT sector was responsible for the greatest percentage of space leased in H1 2025 accounting for 42% of total take-up.
- This was supported by the largest occupier deal of the year, with Autotrader pre-letting 130,000 sq ft at Bruntwood SciTech's 3 Circle Square, highlighting the company's strong commitment to the city.
- Professional services and the TMT sector accounted for more than one third of deals completed, with each completing 18.
- Prime rents held firm in Q2 at £45.00 per sq ft. The level represents a 20% increase since the onset of the covid-19 pandemic.

SUPPLY

- Grade A availability stood at 568,666 sq at the mid-year juncture, reflecting a 20% reduction when compared to the same period in 2024.
- The total market vacancy rate remained unchanged at 10.6% by the close of Q2 2025. This follows a steady downward trend over the past 18 months.
- At the close of Q2, 305,156 sq ft of speculative office stock was under construction in Manchester's city centre. Comprised solely of the comprehensive refurbishment of Rylands, delivery is expected during 2027.

INVESTMENT

- In H1, £94.9m of office stock was transacted across five deals, 32% below the 5-year H1 average. However, this total is 80% ahead of the equivalent point in 2024.
- The largest deal to complete involved the sale of 101 Embankment, which was bought by UK investor Melford Capital Partners in Q2 for £74m. Notably, this was the largest investment transaction to complete across all ten regional cities tracked.
- Prime office yields remained stable at 6.75%, 175 bps softer than the level recorded at the onset of the pandemic.

Newcastle

Leasing activity remained strong, owing to a particularly strong Q1 period driven by the public sector. Development remains limited, with just one speculative building currently under construction.

Occupational

TAKE UP
H1 2025 (SQ FT)

303,104 — 292%
H1 2024: 77,324 sq ft

GRADE A SUPPLY
Q2 2025 (SQ FT)

281,524 — -6%
Q2 2024 Grade A Supply 299,500 sq ft

PRIME RENT
Q2 2025 (£ PER SQ FT)

£32.00 — 0%
Q2 2024 Prime Rent £32.00 per sq ft

NUMBER OF DEALS
H1 2025

31
H1 2024: 24 deals

DEVELOPMENT PIPELINE
(U/C SPECULATIVE SQ FT)

90,000

PRIME RENT FORECAST
2025 (PER SQ FT)

£32.00

Investment

INVESTMENT VOLUMES
H1 2025

£0m — -100%
H1 2024: £13.7m

PRIME YIELD
Q2 2025

7.50% — 0 bps
Q2 2024 Prime Yield 7.50%

PRIME YIELD FORECAST

Stable

DEMAND

- Supported by a strong Q1 in which 257,476 sq ft of office space was let, leasing volumes in Newcastle reached 303,104 sq ft for the H1 2025 period. This reflects a fourfold increase year-on-year and is 123% above the 5-year H1 average.
- The uplift was supported by Department for Work and Pensions (DWP), taking 173,245 sq ft at One Pilgrim Place on a pre-let basis.
- As such, the most active occupier group in H1 2025 has been the public sector, which accounted for 62% of all space leased.
- The TMT sector accounted for the greatest number of deals done at 8 out of 31.
- New and grade A space represented three quarters of total take-up in H1 2025.
- There is an additional 217,000 sq ft of named demand in Newcastle.
- The prime rent remained stable at £32.00 per sq ft in Q2 2025, having risen by 31% since the onset of the pandemic.

SUPPLY

- New and grade A availability dipped to 281,524 sq ft, a 6% fall from equivalent point in 2024 but reflecting a level 4% above the 5-year average.
- The development pipeline in Newcastle is limited, with just one scheme under construction. Two Pilgrim Place will deliver 90,000 sq ft of brand-new speculative space and is due to reach practical completion in early 2027.

INVESTMENT

- There were no office investment transactions in Newcastle in the first six months of 2025.
- Prime office yields have stabilised at 7.50%, 175 bps softer than the pre-pandemic level.

Sheffield

Investment volumes rose above the long-term average, with prime pricing now stabilised. The ongoing flight to quality continues to drive upward pressure on rents, as occupiers compete for a limited segment of the market.

Occupational

TAKE UP
H1 2025 (SQ FT)

19% **114,379**
H1 2024: 96,276 sq ft

GRADE A SUPPLY
Q2 2025 (SQ FT)

52% **307,300**
Q2 2024 Grade A Supply 202,300 sq ft

PRIME RENT
Q2 2025 (£ PER SQ FT)

£31.00 3%
Q2 2024 Prime Rent £30.00 per sq ft

32

NUMBER OF DEALS
H1 2025

H1 2024: 28 deals

DEVELOPMENT PIPELINE
(U/C SPECULATIVE SQ FT)

0

PRIME RENT FORECAST
2025 (PER SQ FT)

£32.00

Investment

INVESTMENT VOLUMES
H1 2025

100% **£23.8m**
H1 2024: £0m

PRIME YIELD
Q2 2025

7.50% 0 bps
Q2 2024 Prime Yield 7.50%

PRIME YIELD FORECAST

Stable

DEMAND

- Leasing activity picked up during H1 2025, with take-up totalling 114,379 sq ft across 32 deals. This reflects an increase of 19% when compared to the equivalent period in 2024.
- Supported by the largest deal of the year, with law firm Taylor & Emmet taking 14,855 sq ft over two floors at the Isaacs Building, professional services accounted for the largest share of take-up in H1 2025 at 32%.
- Prime office rents remained at £32.00 per sq ft in Sheffield in the second quarter. Nonetheless, rents reflect a 3% increase when compared to the equivalent point in 2024.

SUPPLY

- Grade A availability fell by 6% to 289,300 sq ft in Q2 2025.
- Overall market vacancy remained stable at 6.4%. When considered for just new and grade A space, this dips to 3.2%.
- Following the completion of Plot 4a, West Bar at the close of 2024, there are no significant office developments currently under construction in Sheffield.

INVESTMENT

- In H1, £23.8m of office stock was transacted across two transactions, reflecting an increase of 60% when compared to the 5-year average for an H1 period.
- The largest deal to complete was the sale of Building 3 St Paul's Place for £16.4m to UK investor Ekistics Property Advisors.
- Prime yields remained stable at 7.50%, reflecting an increase of 125 bps compared to the pre-pandemic level.

Head of UK Cities

Henrie Westlake
Partner, Office Head
+44 113 297 2413
henrie.westlake@knightfrank.com

Aberdeen

Eric Shearer
Partner, Office Head
+44 122 441 5948
eric.shearer@knightfrank.com

Birmingham

Jamie Phillips
Partner, Birmingham Commercial
+44 121 233 6403
jamie.phillips@knightfrank.com

Bristol

Steve Oades
Partner, Office Head
+44 117 917 4548
steve.oades@knightfrank.com

Cardiff

Matt Phillips
Partner, Office Head
+44 292 044 0122
matt.phillips@knightfrank.com

Edinburgh

Alasdair Steele
Partner, Office Head
+44 131 222 9622
alasdair.steele@knightfrank.com

Glasgow

John Rae
Partner, Office Head
+44 1415 666029
john.rae@knightfrank.com

Leeds

Eamon Fox
Partner, Leeds Commercial
+44 113 297 2433
eamon.fox@knightfrank.com

Manchester

David Porter
Partner, Office Head
+44 1618 337725
david.porter@knightfrank.com

Newcastle

Ian Tew
Partner, Office Head
+44 191 594 5012
ian.tew@knightfrank.com

Sheffield

Peter Whiteley
Partner, Sheffield Commercial
+44 114 241 3903
peter.whiteley@knightfrank.com

Research

Darren Mansfield
Partner, Commercial Research
+44 20 7861 1246
darren.mansfield@knightfrank.com