REVIEW

BIG 10 REGIONAL OFFICE MARKET

UK Q1 2026

RESEARCH & INSIGHTS

BNP PARIBAS REAL ESTATE

Real Estate for a changing world

Q1 2026 REGIONAL OFFICE MARKET

BIG TEN REGIONAL OFFICE INVESTMENT OVERVIEW

Investment volumes reached £485 million in Q1 2026, up 44% year-on-year and driven by larger lot sizes (£50m+) and key owner-occupier deals.

Q1 2026 investment volume totalled just under £0.5 billion, up 44% year-on-year and the strongest quarter since Q2 2022.

The UK Big Ten regional office investment market began 2026 on a firmer, though still selective, footing. Despite the volume rebound, turnover remained around 22% below the ten-year Q1 average, and the number of transactions fell as a larger number of (£50m+) lot sizes boosted the figures. This reinforces that the recovery remains partial and uneven.

Activity was overwhelmingly concentrated in the core Big Six regional cities. Combined, these markets accounted for approximately £450 million of investment in Q1, materially higher than Q1 last year and broadly 13% below the long-run Q1 average for these cities. This contrasted sharply with the near-absence of capital in the other four secondary markets, where liquidity remains relatively thin and pricing uncertainty persists. In short, regional office investors are focused on where depth of demand, leasing resilience and exit liquidity are strongest.

The largest transaction was the £114 million acquisition of 4 Angel Square, Manchester, purchased by incumbent tenant BNY Mellon at a capital value of c.£627psf and equating to a yield of 6.9%, representing a clear statement of confidence from a global institutional covenant in prime regional CBD offices. Another institutional owner occupier deal was the £66 million sale of 10 Canons Way, Bristol to Lloyds, a capital value of £374psf and a yield of c.8% on c.8 years' income. In Edinburgh, Waverley Gate traded for £77.3 million to Melford Capital, reflecting an initial yield of c.8.5% and £480psf capital value, highlighting the yield premium available on older, but still prominent, buildings in prime locations.

Encouragingly, pricing continues to show signs of recovery. Average achieved capital values in Q1 were materially higher than the lows of H1 2025 and, at the market level, MSCI data shows assets values continue to stabilise at lower levels. Moreover, average prime Big Six prime yields have been edging inwards over the past six months, tightening c.21bps to 6.8%. Federated Hermes' ongoing sale of 3 Chamberlain Square, Birmingham – at a price equating to a yield of c.6.5% - is expected to provide further evidence of yield compression at the top end of the market.

Looking ahead, the macroeconomic backdrop remains challenging. The ongoing energy price shock is expected to slow UK growth materially in 2026 while pushing inflation higher, driving a sharp reversal in UK interest rate expectations that is more pronounced than most other developed markets. This uncertainty continues to encourage a cautious, wait-and-see approach among many investors.

However, the same backdrop is reinforcing the longer-term investment case. Higher construction cost inflation is further constraining already weak development pipelines, with commercial construction output outside London now at record lows, exacerbating the shortage of future-proof offices. With pricing broadly stabilised at cyclical lows and the outlook for prime rental growth increasingly positive, the case for selective investment into best-in-class, strategically located regional offices is becoming steadily more compelling, despite near-term macro risks.

£485m
Q1 INVESTMENT VOLUME

Office investment volume in the Big 10 markets in Q1 2026

This is a 44% increase on the same period in 2025, but down 22% on the ten-year Q1 average.

6.50-7.00%
REGIONAL PRIME OFFICE YIELDS

Prime office yields have started to edge inwards.

In the last six months, average prime yields tightened by 21bps to 6.8%.

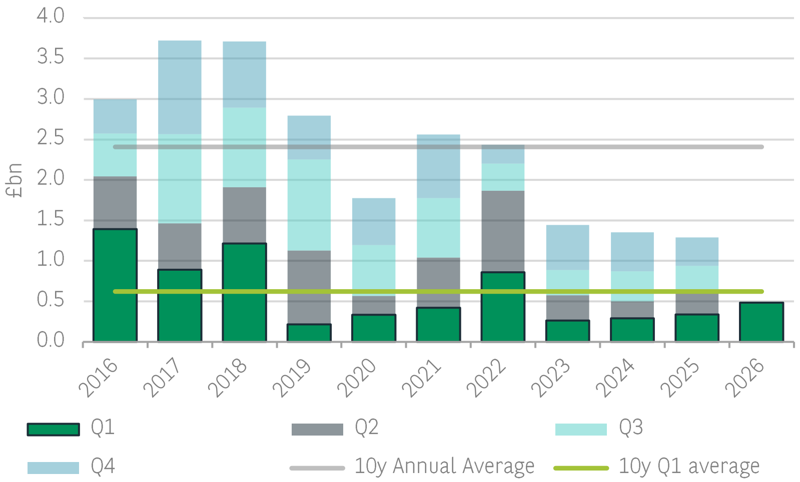
37.1%
Q1 SHARE OF INVESTMENT BY OWNER OCCUPIER BUYERS

Owner-occupiers have been the most active purchasers in Q1 2026, totalling £180 million, across two major deals.

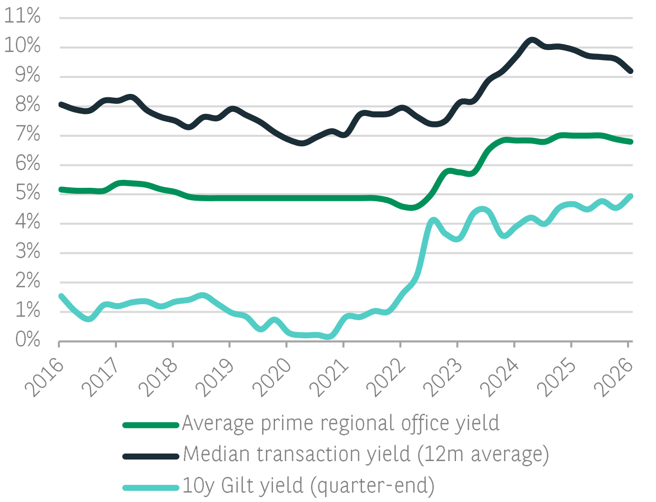
Private prop co's remained active, accounting for a 32.3% share of investment in Q1 2026.

Shutterstock © alice-photo

Big Ten office investment by quarter



Prime regional office yield vs Gilt yield



Source: BNP Paribas Real Estate, MSCI

Leasing activity in Q1 2026 was driven by a handful of larger deals, with four deals over 50,000 sq ft completing.

Prime rents reached new headline levels in four cities this quarter, with further growth expected through 2026.

BIG TEN REGIONAL OFFICE LEASING OVERVIEW

The regional Big Ten markets reported a robust opening quarter, totalling 1.1 million sq ft which is marginally (4.4%) ahead of the five-year Q1 average. Demand continues to be driven by larger deals. 41.0% of leasing activity in Q1 was accounted for by deals over 25,000 sq ft, reflecting the highest share since 2019.

The two largest deals were signed by government entities, including GPA securing 114,967 sq ft at Havelock in Manchester, while the Department for Work & Pensions took Sheffield's newly completed 100,000 sq ft No.1 West Bar Sq.

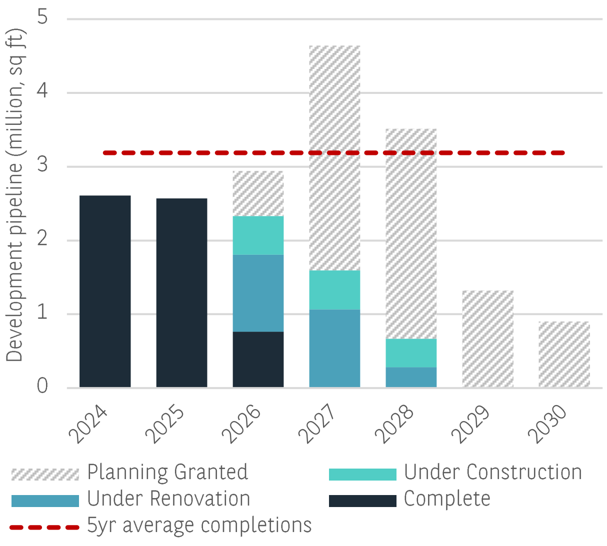
Best-in-class assets were subject to record-breaking deals across the regions. In Bristol, semiconductor manufacturer Graphcore secured newly repurposed One George's Sq (65,000 sq ft) at a record rental level of £52 per sq ft. Birmingham also saw rents rise to £52 per sq ft with law firm Eversheds Sutherland taking the last remaining 42,000 sq ft at Three Chamberlain Sq.

As the above deals suggest, occupier demand remains focused predominantly on the prime end of the market, which continues to squeeze Grade A availability. In Q1 2026, Grade A vacancy hit 2.2% on average across the Big Ten markets, down 21 basis points quarter-on-quarter.

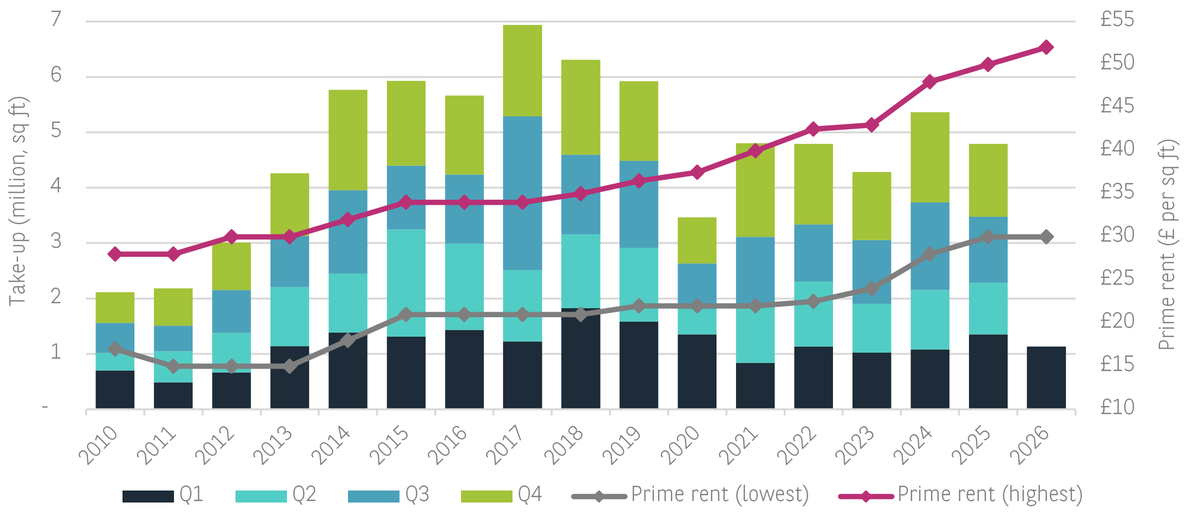
Subsequently, upwards pressure on prime rents has continued into 2026, in line with new build supply continuing to wane. Going forward, new build offices under development across the larger regional cities are quoting upwards of £55 per sq ft. This includes the likes of One Friary in Bristol, No.2 St Michael's in Manchester, and 31 Wellington St in Leeds. Beyond these schemes, there are very few brand-new office assets being built regionally; hence the majority (62.4%) of the pipeline derives from extensive refurbishment projects.

While it's true there are a lot of schemes with planning permission, it's unlikely many of these will start on site under the current economic climate. More certainty regarding the Iran war de-escalating, inflationary pressures easing and interest rates falling will be necessary before confidence returns to the development market.

Big Ten city centre office development pipeline



Big Ten regional take-up and prime office rent (city centre)



1.1m sq ft
BIG TEN CITY CENTRE TAKE-UP

Take-up in Q1 2026 matched the five-year Q1 take-up average, at 1.1 million sq ft, down 16.2% compared to 2025's elevated Q1 levels.

A shrinking supply of available Grade A space may hinder take-up volume as we move through 2026.

10.5%
AVERAGE VACANCY RATE

Average vacancy remained stable across the regions, averaging 10.5%, which is largely in line with the ten-year average.

The prime end of the market remains far more constrained, with Grade A vacancy averaging 2.2%.

25.7%
OCCUPIER SECTOR

Professional services have continued their dominance, accounting for a 25.7% share of Q1 2026 take-up.

Government departments, driven by the two largest deals of the quarter, have seen the largest share increase in Q1 2026, to 24.9%.

£52 per sq ft
PRIME REGIONAL OFFICE RENTS (HIGHEST)

Bristol and Birmingham both achieved new record prime rents, each at £52 per sq ft.

Big Ten prime rents increased 5.4% year-on-year, with more growth expected in Q2.

Source: BNP Paribas Real Estate, Glenigan, CoStar

Q1 2026 REGIONAL OFFICE MARKET

TOP CITY CENTRE LEASING TRANSACTIONS Q1 2026

ADDRESS (CITY)	SQ FT	APPROX. RENT (PER SQ FT.)	TERM	TENANT	LANDLORD
Havelock (Manchester)	114,967	Conf.	-	GPA	Credit Suisse
No.1 West Bar Square (Sheffield)	100,860	Conf.	15yrs	Department for Work & Pensions	Sheffield City Council
One George's Sq (Bristol)	65,683	£52	-	Graphcore	Dyson
Elshaw House (Sheffield)	50,000	-	-	Irwin Mitchell	Sheffield City Council
Three Chamberlain Sq (Birmingham)	45,690	£52	15yrs	Eversheds Sutherland	Federated Hermes
3 Haymarket Sq (Edinburgh)	36,209	-	-	EY	M&G Real Estate
The Hive (Manchester)	25,990	-	-	x+why	Grosvenor
Atrium Court (Glasgow)	26,711	c.£20	-	Shawbrook Bank	Time Equities / Longstock Capital
2 Atlantic Sq (Glasgow)	23,945	£35	15yrs	British Gas	BAM Properties
Spectrum (Glasgow)	19,108	£23	-	Tesco	Trinova Real Estate Asset Management

TOP INVESTMENT TRANSACTIONS Q1 2026

ADDRESS (CITY)	PRICE	CAPITAL VALUE (PER SQ FT.)	YIELD	PURCHASER	VENDOR
4 Angel Square (Manchester)	£114m	£627	6.86%	BNY Mellon	Federated Hermes
Waverley Gate (Edinburgh)	£77.3m	£480	8.53%	Melford Capital	Kennedy Wilson
10 Canons Way (Bristol)	£66m	£374	8.00%	Lloyds	KFIM
1 Wythall Green Way (Birmingham)	£66m	£226	-	Cilldara Group	Phoenix Group
10 Ballater St (Glasgow)	£28.4m	£662	6.26%	The Weis Group	Aviva

Source: BNP Paribas Real Estate, MSCI, CoStar

CONTACTS

RESEARCH

Josh ARNOLD
Associate Director
M: (0) 7769 935366
josh.arnold@realestate.bnpparibas

Charlie TATTERSALL
Senior Associate Director
M: (0) 7818 539188
charlie.tattersall@realestate.bnpparibas

AGENCY, INVESTMENT & OCCUPIER TEAM

Simon WILLIAMS
Head of National Markets
Tel: +44 (0) 2035 043769
simon-d.williams@realestate.bnpparibas

Liam RIDLEY
Senior Associate Director,
Leeds Office Agency
Tel: +44 (0) 7469 403986
liam.ridley@realestate.bnpparibas

Iain CAIRNS
Director, Leeds Office Agency
Tel: +44 (0) 7881 249670
iain.cairns@realestate.bnpparibas

Gary CAMERON
Head of Scotland, Capital Markets
Tel: +44 (0) 7815 836499
gary.cameron@realestate.bnpparibas

Guy COOKE
Senior Director, Sheffield Office Agency
Tel: +44 (0) 7876 217359
guy.cooke@realestate.bnpparibas

Hugh WHITE
Head of National Capital Markets
Tel: +44 (0) 7775 708668
hugh.white@realestate.bnpparibas

Looking for a tailor-made analysis? Click here to find out our service offer Research on Demand

BNP PARIBAS REAL ESTATE

BNP Paribas Real Estate UK
10 Harewood Avenue
London NW1 6AA
Tel.: + 44 (0) 207 338 4000

Locations (February 2024)

EUROPE

FRANCE
Headquarters
50, cours de l'Ile Seguin
CS 50280
92650 Boulogne-Billancourt cedex
Tel.: +33 1 55 65 20 04

GERMANY
Goetheplatz 4
60311 Frankfurt am Main
Tel.: +49 69 29 89 90

UNITED KINGDOM
10 Harewood Avenue
London NW1 6AA
Tel.: +44 20 7338 4000

BELGIUM
Avenue Louise 235
1050 Brussels
Tel.: +32 2 290 59 59

SPAIN
C/ Emilio Vargas, 4
28043 Madrid
Tel.: +34 91 454 96 00

IRELAND
57 Adelaide Road,
Dublin 2
Tel.: +353 1 66 11 233

ITALY
Piazza Lina Bo Bardi, 3
20124 Milano
Tel.: +39 02 58 33 141

LUXEMBOURG
Kronos building
10, rue Edward-Steichen
2540 Luxembourg
Tel.: +352 34 94 84

Investment Management
Tel.: +352 26 06 06

NETHERLANDS
Antonio Vivaldistraat 54
1083 HP Amsterdam
Tel.: +31 20 305 97 20

POLAND
Grzybowska 78,
00-844 Warsaw
Tel.: +48 22 653 44 00

PORTUGAL
Avenida da República, 90 Piso 1,
Fracção 1
1600-206 Lisboa
Tel.: +35 1 939 911 125

MIDDLE EAST / ASIA

DUBAI
Emaar Square
Building n° 1, 7th Floor
P.O. Box 7233, Dubaï
Tel.: +971 44 248 277

HONG KONG, SAR CHINA
63/F, Two International
Finance Centre
8 Finance Street, Central,
Hong Kong, SAR China
Tel.: +852 2909 8888

SINGAPORE
20 Collyer Quay, #17-04
Singapore 049319
Tel.: +65 681 982 82

ALLIANCES

AUSTRIA
CZECH REPUBLIC
GREECE
HUNGARY
JERSEY
NORTHERN IRELAND
PORTUGAL
ROMANIA
SLOVAKIA
SWITZERLAND
USA

BNP PARIBAS
REAL ESTATE

KEEP IN TOUCH WITH US, WHEREVER YOU ARE

#BEYONDBUILDINGS

www.realestate.bnpparibas.com