CoStar UK Market Activity Tracker Q4 2025

CoStar Market Analytics

Notes on methodology – How have we looked at the data?

- CoStar's Market Activity Tracker compares the relative performance and momentum of markets and submarkets across the major commercial property sectors on key demand, supply and investment metrics.
- It leverages CoStar's unique, market-leading analytics on more than 730,000 commercial properties to provide credible and actionable insights based on real data researched and verified by the world's largest commercial real estate research team.
- Metrics analysed include:
  - ***Net absorption***, or the change in occupied space, increasingly recognised by the industry as the true measure of occupier demand
  - ***Vacancy rate and recent vacancy movement***, crucial for understanding market dynamics and informing decisions relating to rents and pricing
  - ***Investment as a share of asset value***, which combines sale transactions captured by CoStar's dedicated investment research team with property values estimated from the company's unmatched comps dataset

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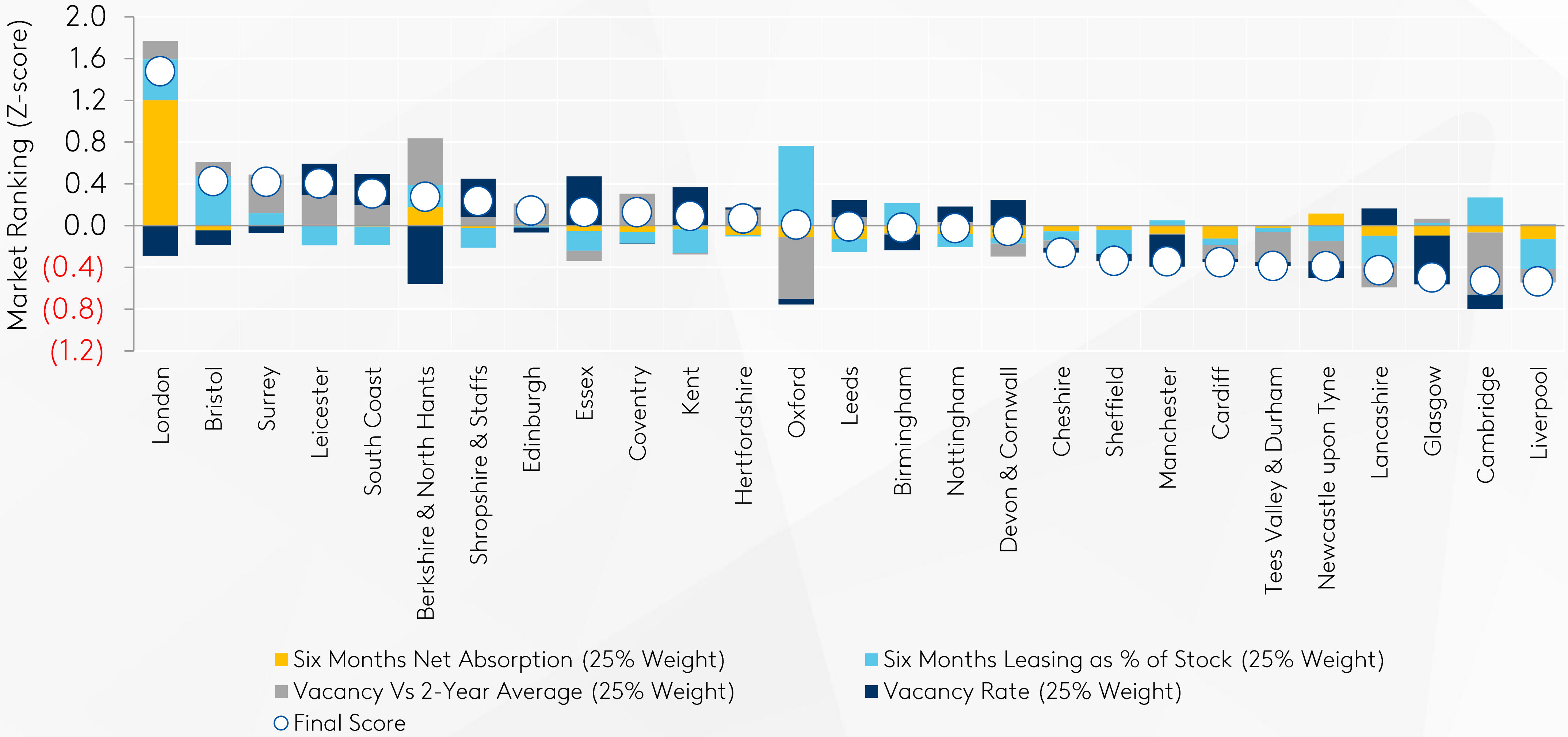
Office: London leads the demand bounceback



Source: CoStar

Note: Includes markets with at least 15 million SF of office stock

Office highlights

- ***London's*** office market conditions have improved significantly, with net absorption turning comfortably positive in 2025 after five years of losses. HSBC and Commerzbank are among the occupiers that have signed large lettings in the City, while the Canary Wharf resurgence has been driven by several major leasing deals, including those by Visa and HSBC.
- ***Bristol*** continued to lead the ***Big Six*** regional cities during the second half of 2025. Office leasing volume in Bristol's city centre reached its highest level in six years during the year, led by large corporate deals at Temple Quay. Robust leasing activity in ***Birmingham*** during the second half of the year boosted its ranking, while ***Edinburgh's*** tight supply and low vacancy rate keep it well placed among the major markets.
- ***Berkshire & North Hampshire's*** office market, which broadly aligns with the Thames Valley, has seen its vacancy rate fall in recent quarters amid an upturn in demand. Reading has been the primary beneficiary of recent improvements in leasing, as the Elizabeth Line's improved transport connections have boosted demand. Some out-of-town locations are also experiencing a resurgence, with Green Park making a comeback.
- Following strong life sciences demand in recent years, construction activity in ***Oxford*** and ***Cambridge*** has surged, which, when combined with slowing net absorption, has led to a rise in vacancies. However, Oxford's superior leasing activity places the city in a higher position than its rival.

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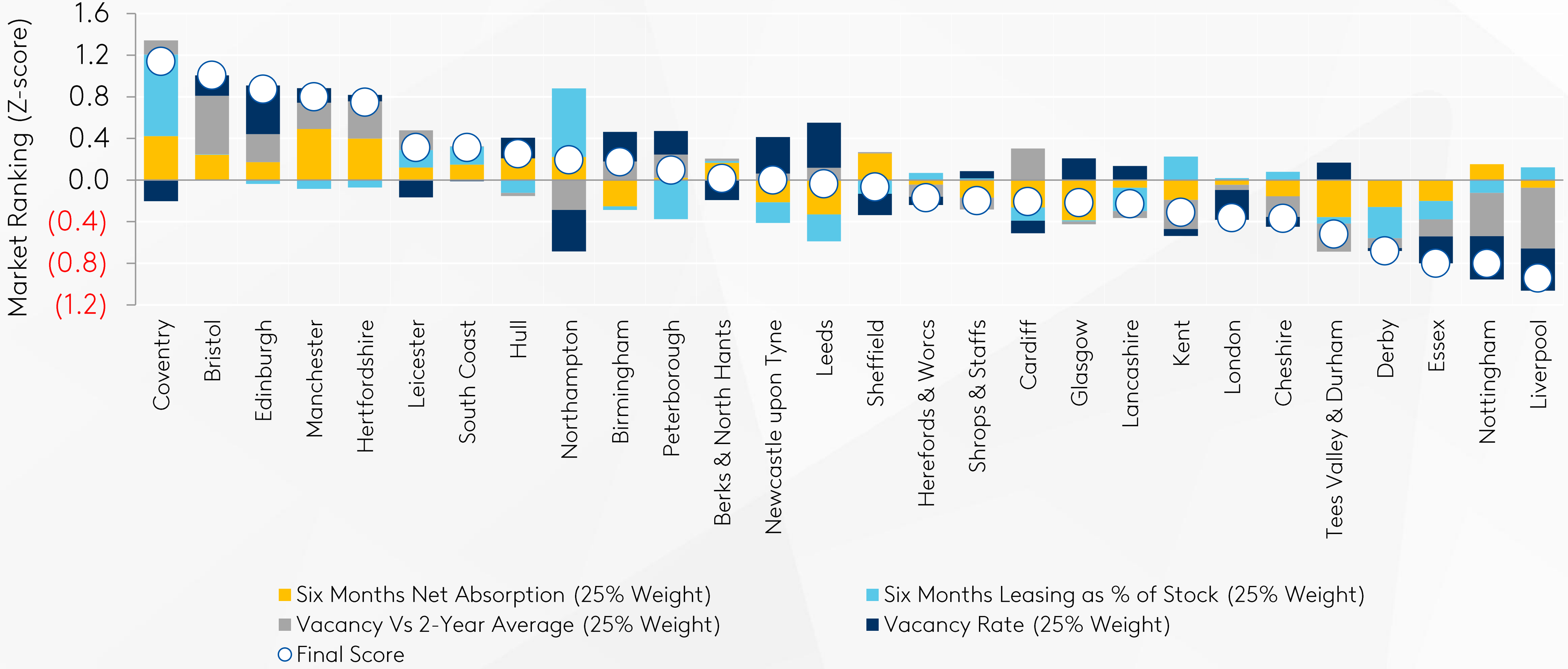
Industrial: Big box occupiers sent to Coventry



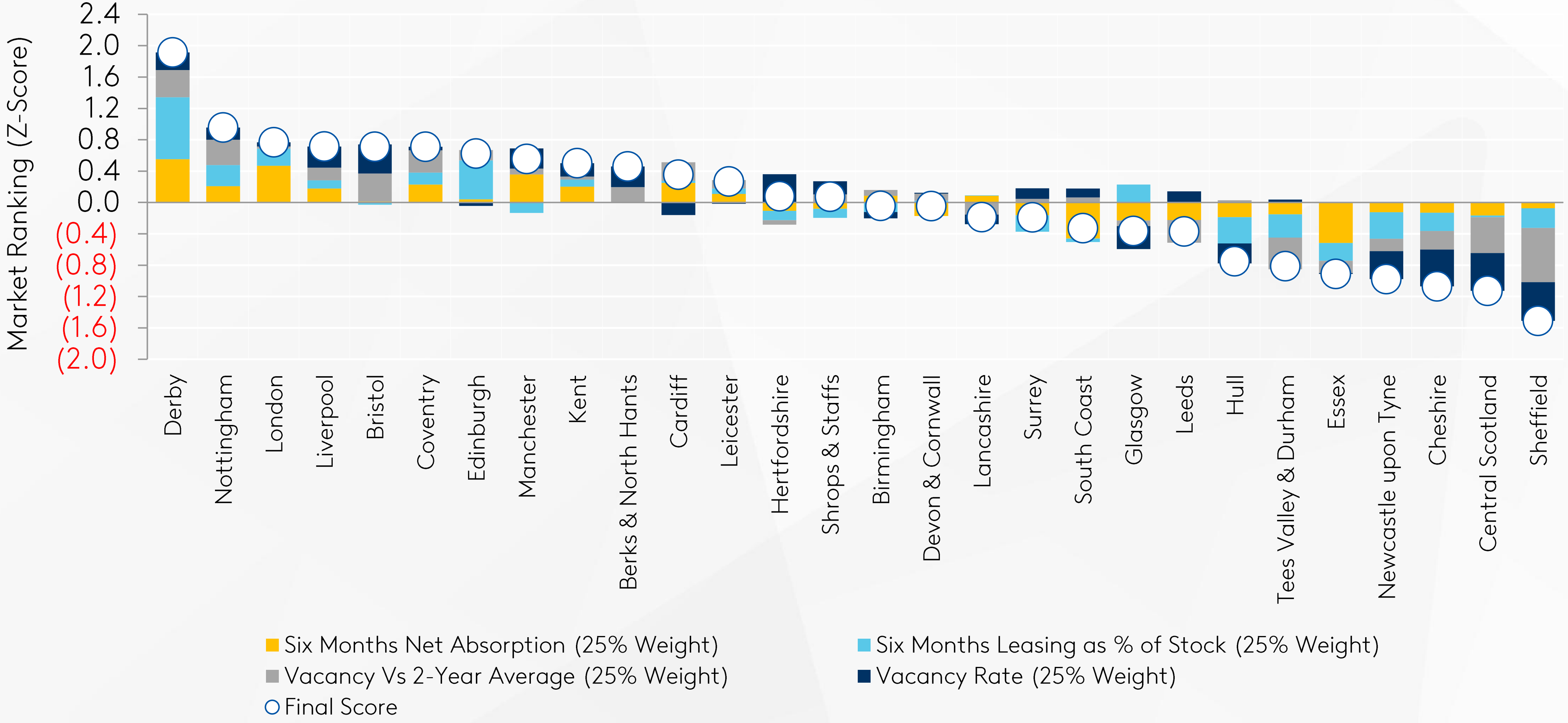
Source: CoStar

Note: Includes markets with at least 50 million SF of industrial stock

Industrial highlights

- The Golden Triangle markets of ***Coventry***, ***Leicester*** and ***Northampton*** recorded strong leasing activity during the second half of 2025, highlighted by M&S's mega deal at DIRFT and several lettings by 3PLs, more than compensating for the vacancy impact of supply additions in these markets. In contrast, bordering Midlands markets such as ***Derby***, ***Nottingham*** and ***Staffordshire*** have seen a noticeable slowdown in activity.
- ***Bristol*** remains near the top of the industrial rankings due to the downward vacancy shift from its strong leasing activity, thanks to the likes of GXO, M&S and Waitrose. Vacancy rates, which had climbed to their highest level in a decade by the end of 2024, have dropped significantly since.
- ***Edinburgh*** retains a top placing, with vacancies in the Scottish capital comfortably below their long-run average amid a years-long supply-and-demand imbalance. Such is the pressure on existing stock that when suitable warehouses are returned to the market, they tend to lease quickly.

Retail: East Midlands derby markets take top spots



Source: CoStar

Note: Includes markets with at least 20 million SF of retail stock

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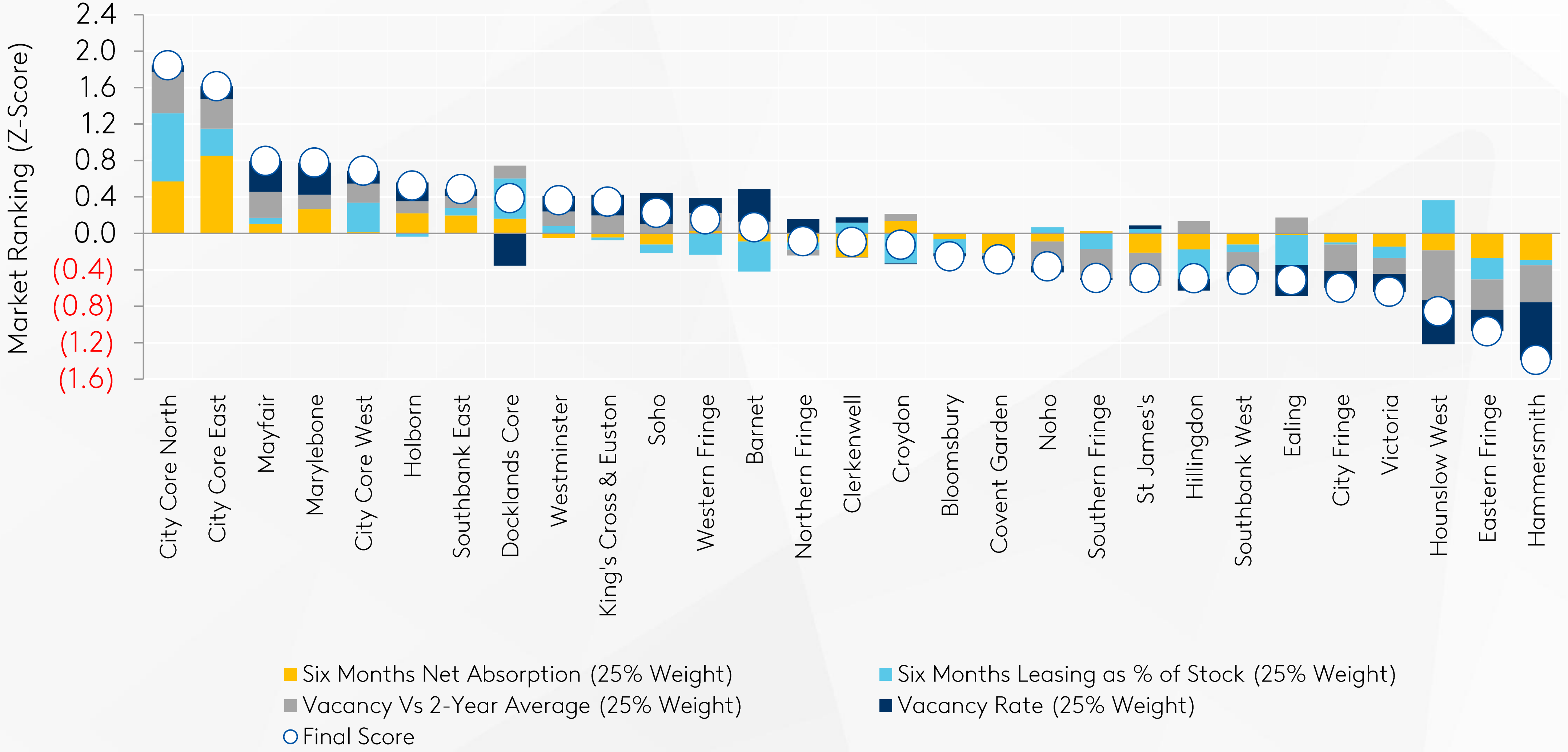
Retail highlights

- Major shopping centre lettings are a key driver of the recent increase in take-up across the country. ***Derby*** has comfortably taken the top spot, ahead of its local rival Nottingham, led by a variety of traditional and leisure lettings at Derbion shopping centre, including the Padel company Social Sports Society and Flo Skatepark.
- ***Central London's*** retail revival continues, with footfall in London's West End reaching its highest level since 2020 over the 2025 festive season. Some parts of the market are outperforming: Covent Garden has recently welcomed a host of new retailers, Oxford Street's revival—particularly at its eastern end—continues, while other prime streets like Bond Street and Regent Street have been less impacted by the retail's wider struggles in recent years.
- Several South East markets have fared well as major shopping centres recover and strong demand on retail parks pulls availability down to historic lows again. Activity in ***Berkshire & North Hampshire*** has been aided by the arrival of the Elizabeth Line and M&S's pivot towards retail parks has boosted leasing in ***Surrey***.
- At the other end of the table, medium-sized towns such as ***Sheffield*** and across ***Lancashire*** and ***Central Scotland*** have continued to lag, with ongoing difficulties contributing to a sharp upward shift in vacancy levels driven by negative net absorption.

London Office: Docklands Core joins Central London success



Source: CoStar

Note: Includes submarkets with at least 5 million SF of office stock

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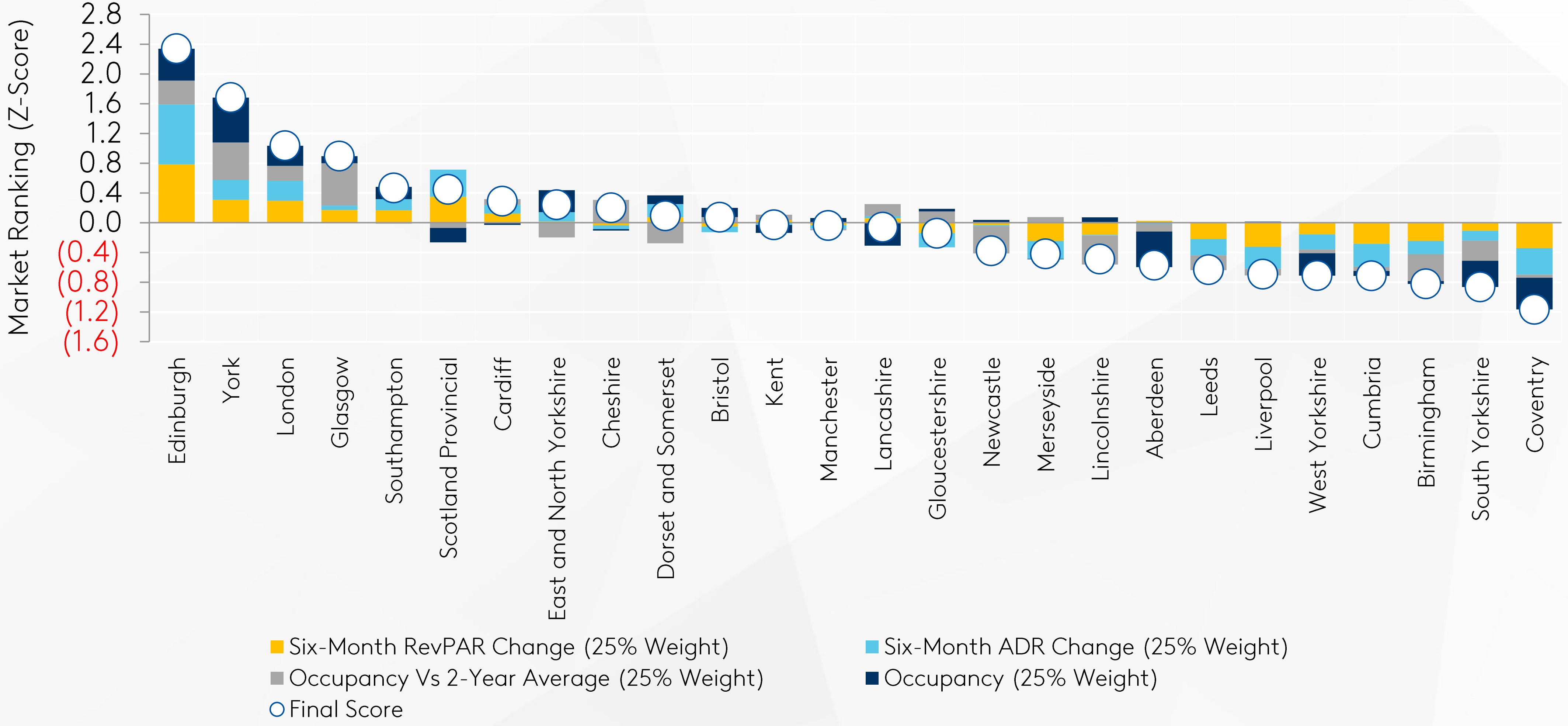
London office submarket highlights

- Conditions have improved significantly in the London office leasing market over the last 12 months. Net absorption is at its strongest level since 2018, signalling a return to positive demand after five years of occupancy losses.
- The ***City Core*** led activity in a resurgent London office market. The financial sector has been the major contributor, accounting for the lion's share of deals over 100,000 SF. Notable transactions include the combined Investec Bank and Rathbones wealth management business and Commerzbank, which agreed one of the largest lease regears in the UK this year on more than 300,000 SF of offices at 30 Gresham Street.
- A defining London story in 2025 was ***Dockland Core's*** revival, driven by several major deals, including lettings by Visa and HSBC. While the vacancy rate remains high, these deals lifted take-up to its highest level in nine years and pushed estate footfall beyond pre-pandemic levels.
- Conversely, outer London markets continue to see the strongest demand losses as occupiers gravitate towards most central locations. While vacancies remain low across the West End, ***Victoria*** is one exception. Its vacancy rate could rise further when Google exits this year and as the UK government speeds up its regional relocation.

Hotel: Tourist cities lead industrial cities in ranking

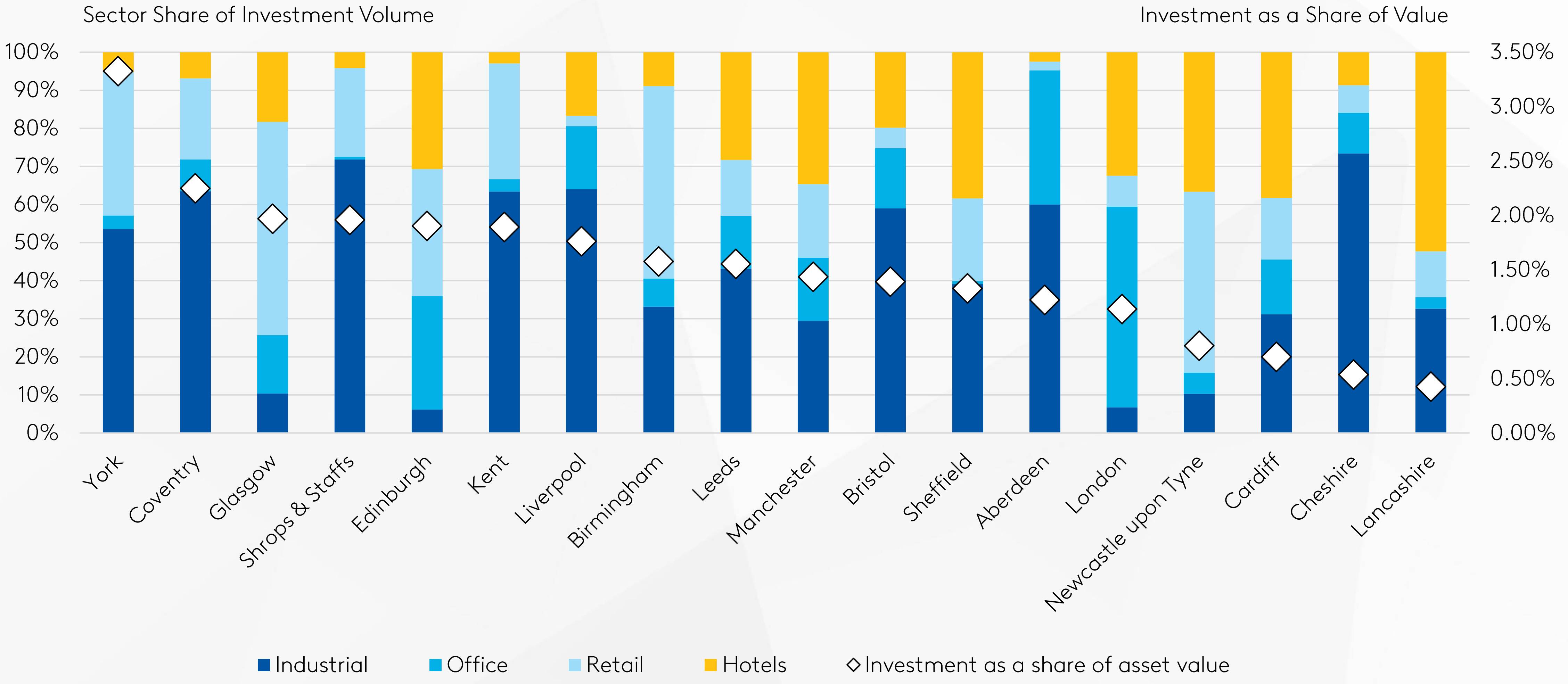


Source: CoStar

Hotel highlights

- Despite softer demand patterns throughout 2025, Scottish markets maintained their strong performance over the second half of the year. ***Glasgow***, ***Edinburgh*** and ***Scotland Provincial*** benefited from international visitor numbers and a strong calendar of major events, including the Edinburgh Fringe and large-scale concerts by Oasis and AC/DC. The next 12 months look set to be positive, with Glasgow again hosting the Commonwealth Games.
- In ***London***, the second half of 2025 drove performance growth and largely offset losses experienced during the first half of the year. A busier calendar of conferences and events towards the latter part of 2025 helped hotels drive average rates, with stronger group RevPAR improvements for full-service properties.
- Cooler demand patterns have adversely impacted trading for regional cities such as ***Leeds***, ***Birmingham*** and ***Sheffield***. Hoteliers have noted that consumers became more price-sensitive across both the corporate and leisure sectors. While events during the summer underpinned RevPAR improvements, the latter part of the year slowed before a stronger finish, boosted by Christmas markets.

Investment: Retail and industrial sales dominate top spots



Source: CoStar

Investment highlights

- ***York*** has topped the investment table following a combination of substantial industrial and retail transactions. Record industrial volumes were driven by a portfolio sale that included a 1-million-square-foot unit at Sherburn. Meanwhile, sales of the Monks Cross Shopping Centre and Vangarde Shopping Centre, both in York, bolstered retail volumes.
- While shopping centres remain in favour, volumes have cooled in recent quarters. However, several markets have been lifted by large investments. These have included Braehead Shopping Centre in ***Glasgow***, the St James' Quarter in ***Edinburgh*** and Hammerson bought its joint venture partner's 50% interest in Bullring and Grand Central, ***Birmingham*** last summer.
- Industrial investors also had their sights set on well-connected and dynamic markets, including ***Shropshire*** & ***Staffordshire***, ***Coventry*** and ***Kent***, which serve as logistics and advanced manufacturing hubs of national significance.
- Hotel investment volumes in ***Edinburgh*** have experienced an upswing as strong trading performance and improvements to the debt environment have bolstered investor appetite. Well-located branded assets have attracted a diverse investor base, including InterContinental, Premier Inn and Ibis.

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