CoStar UK Market Activity Tracker Q2 2026

CoStar Market Analytics

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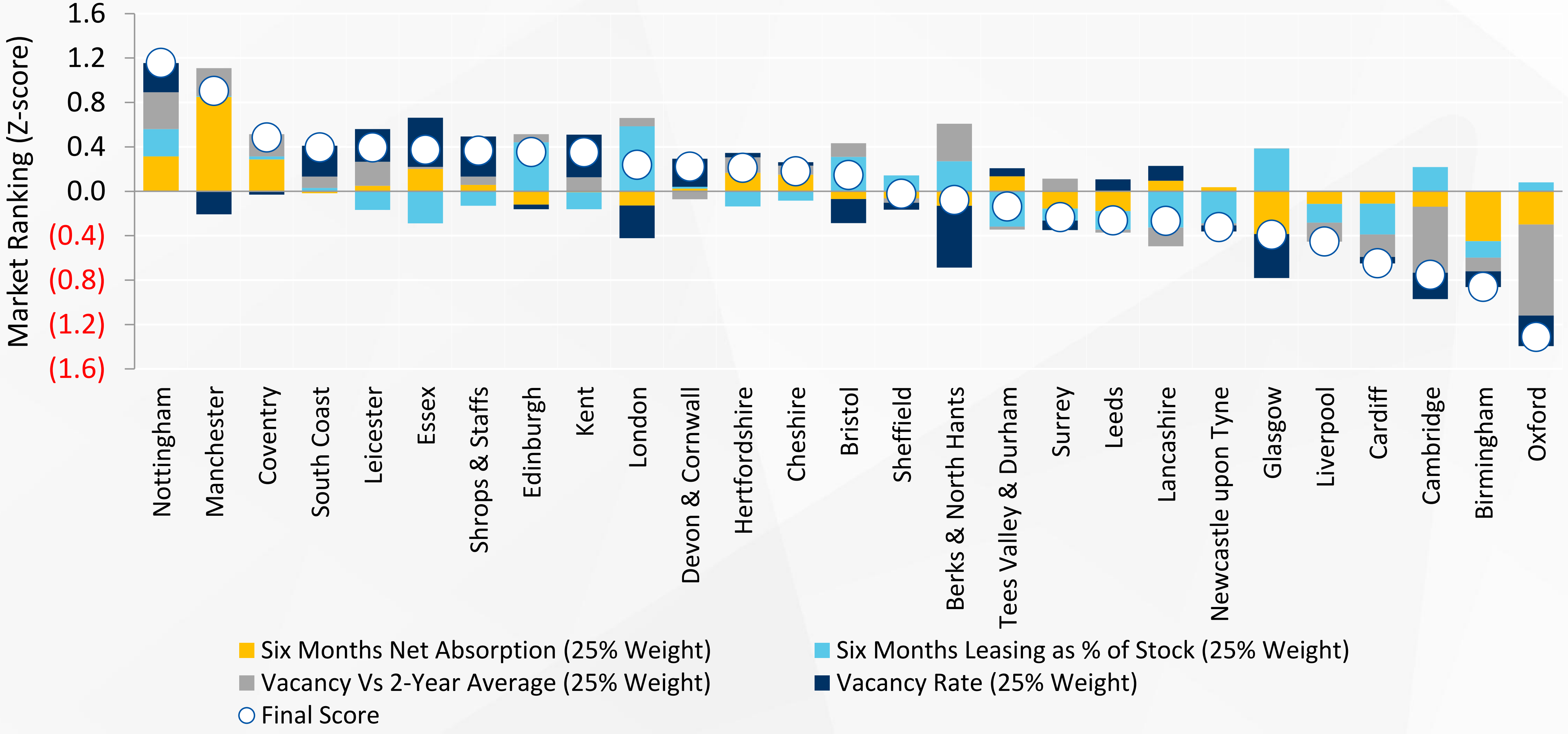
Notes on methodology – How have we looked at the data?

- 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 740,000 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

Office: Manchesterism and Midlands markets take top places



Source: CoStar

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

Office highlights

- Across the Big Six markets, occupancy gains in **Manchester** have been driven by strong net absorption, as large occupiers such as Autotrader and BNY Mellon have taken up space during the first half of the year. Strong leasing in **Bristol**, **Glasgow** and **Edinburgh** has been tempered by negative net absorption, with the latter heavily reliant on large financial sector renewals, underscoring a persistent lack of suitable large-floorplate options. Meanwhile, **Birmingham's** leasing total for H1 was the lowest in several years.
- Mid-sized markets in the Midlands have topped the table, led by out-of-town activity. In **Nottingham**, take-up reached its highest quarterly level in ten years, following Regional REIT's 146,000 SF deal at Sherwood Business Park, while **Coventry's** rise up the rankings is attributable to two mid-sized lettings at Warwick Business Park.
- **London** has retreated towards mid-table, from the top spot of recent quarters, following a pause in the strength of net absorption and its high vacancy rate, rather than a slowdown in leasing. This remains strong in the City Core submarkets, headlined by several 100,000-plus-square-foot lettings dominated by corporate occupiers. Office demand has rebounded in King's Cross & Euston over the past year, with the likes of OpenAI and Anthropic joining its artificial intelligence ecosystem.
- Similar market dynamics in **Oxford** and **Cambridge** put them at the bottom of the table, with the latter just ahead by a canvas. While life sciences leasing activity remains robust in both cities, highlighted by GSK's huge biomedical pre-let in Cambridge in July, the shift in vacancy to its highest level in at least 20 years, driven by strong completions and subdued net absorption, has led to the low rankings.

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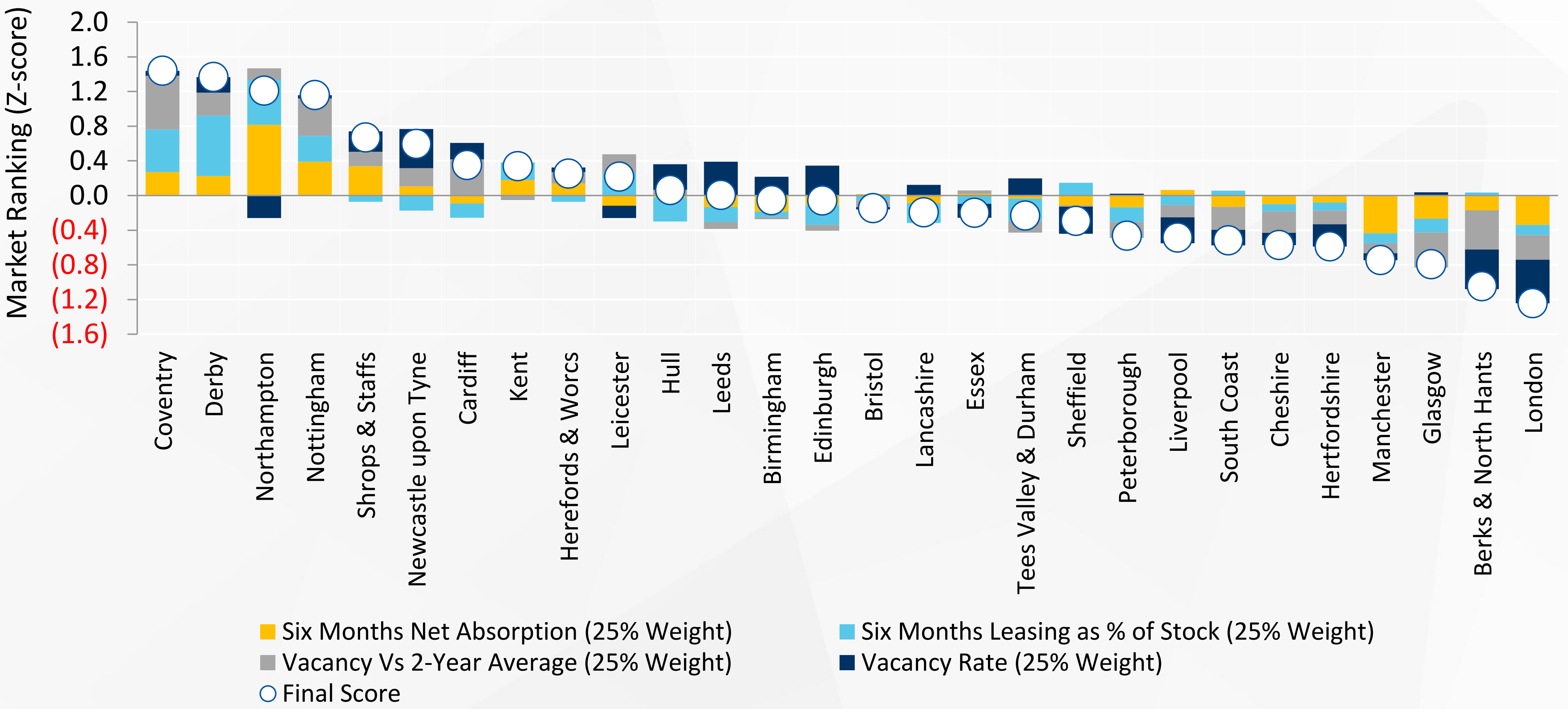
Industrial: Big Box leasing boosts Golden Triangle markets



Source: CoStar

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

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Industrial highlights

- Industrial market conditions have stabilised, supported by rising demand from Amazon, Chinese occupiers and defence firms. Third-party logistics companies are meanwhile shedding less space through consolidation, contributing to the first positive annual net absorption since late 2023.
- The big box market is driving the recovery, with Golden Triangle (**Coventry** and **Northampton**) and neighbouring Midlands markets occupying the top five spots following several 500,000-square-foot-plus deals. **Coventry** has regained momentum following a period of softening, with improving demand and a constrained development pipeline causing a pronounced downward shift in vacancy. Similarly, **Derby's** industrial market has gained fresh impetus in 2026, with record leasing led by large-scale third-party logistics requirements, attracted by its strong multimodal connectivity.
- A cluster of large cities, **Glasgow**, **Manchester** and **London**, sit at the other end of the table, where there is competing demand from high-value uses. This is most acute in **London,** where annual net absorption remains negative (at -2 million SF) as occupiers continue to vacate warehouses and factories in favour of cheaper space outside the city. While leasing has improved, London's industrial vacancy rate has risen to 8%, up from about 2% when the pandemic struck. It could rise further as space under construction is completed amid subdued demand.

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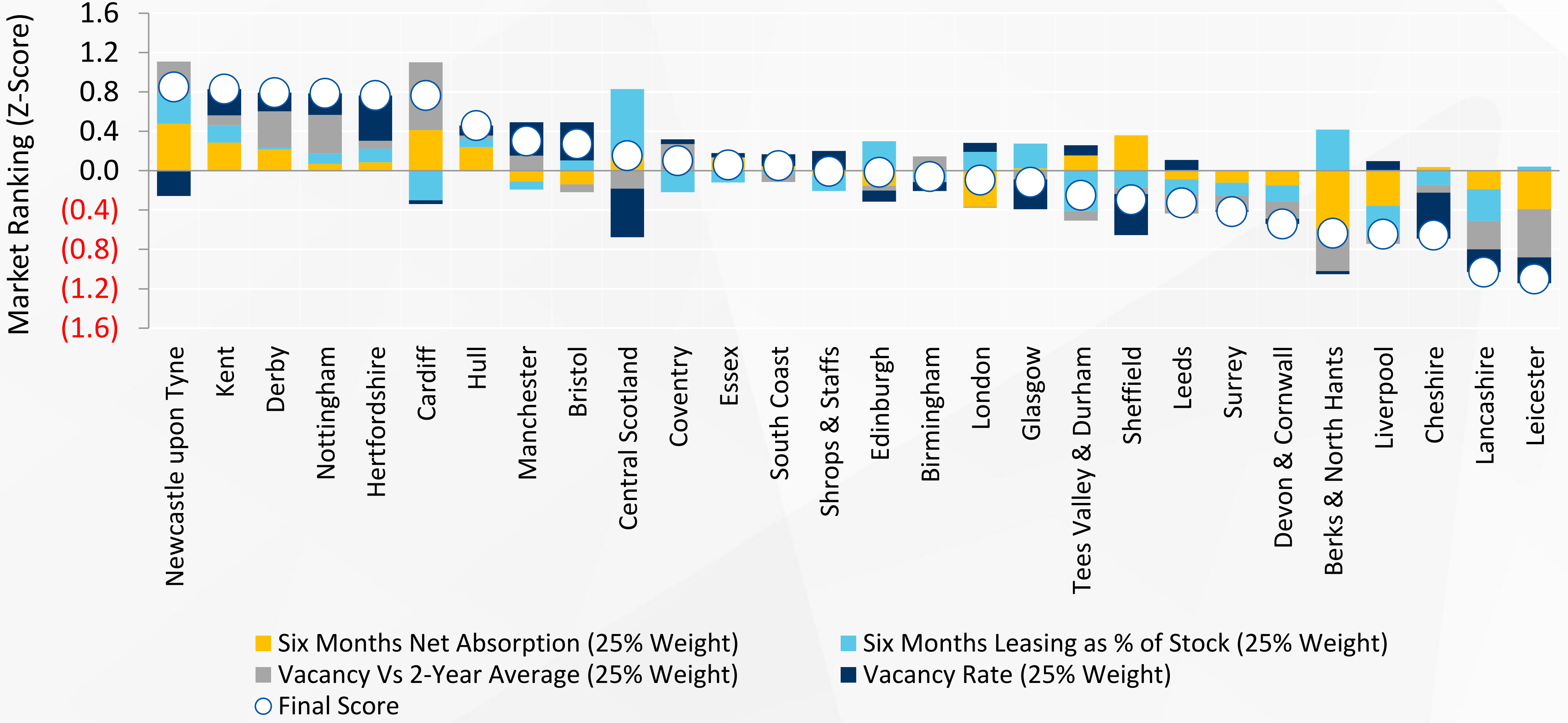
Retail: Leisure and discount leasing dominates top markets



Source: CoStar

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

Retail highlights

- **Newcastle upon Tyne** has raced up the rankings following some large lettings from occupiers such as Inditex clothing brand Lefties, Superdrug and Primark. Non-traditional retail occupiers are also in growth mode, with several fitness, leisure and experiential operators expanding in recent months. Sustained positive net absorption for the first time in several years has been accompanied by a downward shift in vacancy.
- **Derby** remains near the top of the rankings, following the notable downward shift in vacancy caused by several quarters of positive net absorption since the start of last year. Derbion shopping centre has led city centre activity, with a variety of large traditional and leisure lettings, alongside robust demand in the wider retail park market. Strong leasing to discount and leisure occupiers across several cities in **Central Scotland** has boosted its ranking, although it is still weighed down by its high vacancy.
- While **Manchester's** prime shopping centres anchor its robust performance and ensure it sits in the top half of the table, surrounding North West markets such as **Liverpool**, **Cheshire** and **Lancashire** have not fared so well, following sluggish leasing and negative net absorption this year, which has led to rising vacancy. **Lancashire**, for example, lacks a single dominant retail centre, creating a diverse yet fragmented retail landscape. However, town-centre regeneration and investment in public realm, leisure and mixed-use schemes are supporting footfall, while retail parks such as Deepdale Shopping Park in Preston continue to outperform, mirroring national trends.

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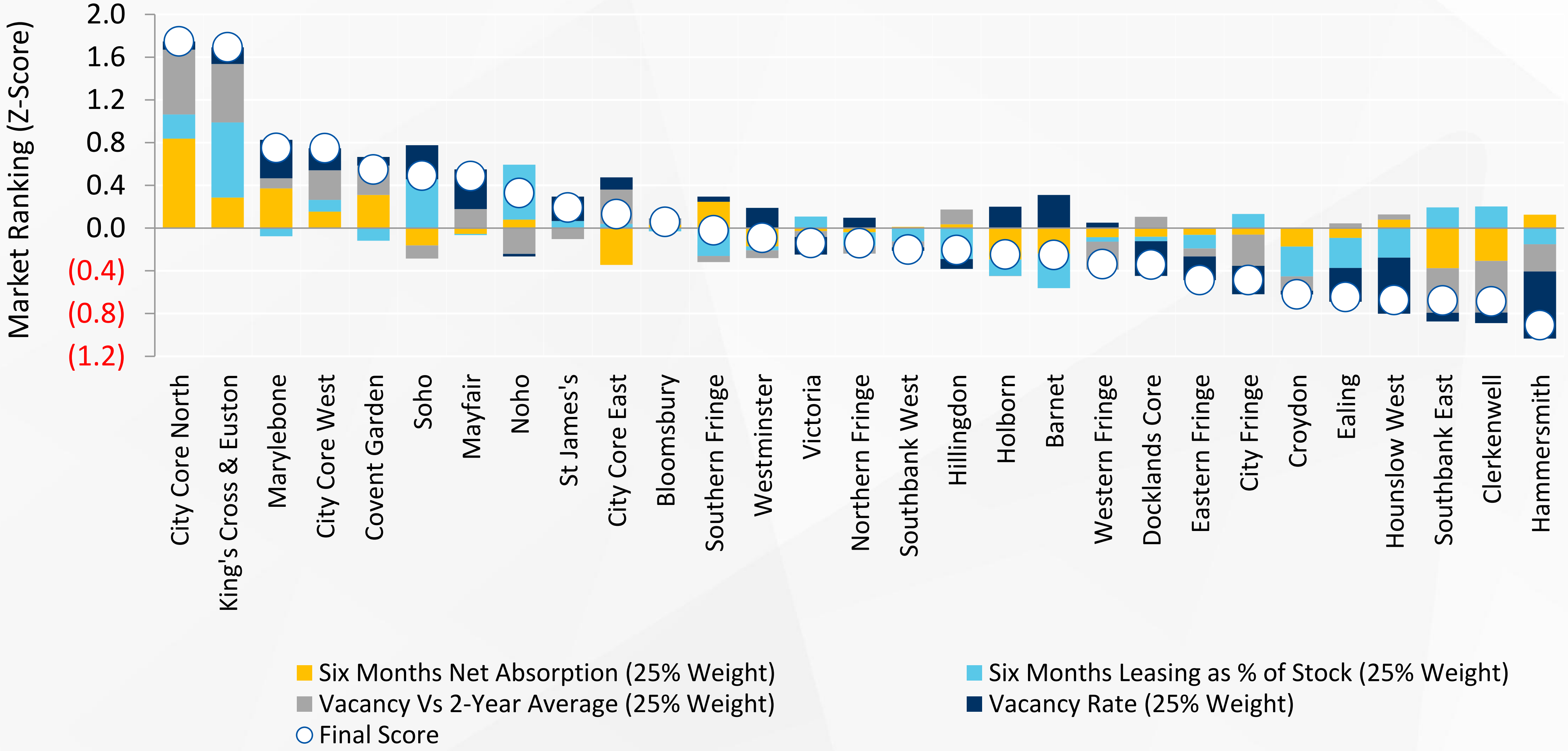
London office submarkets: City Core and King’s Cross lead the way



Source: CoStar

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

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London office submarket highlights

- Office demand has revived strongly in **King's Cross & Euston** over the past year. 2026 take-up has already surpassed 2025's seven-year high, as net absorption has rebounded and the area's vacancy rate has fallen accordingly. King's Cross enjoys an established AI ecosystem, with recent lettings to Humanoid, OpenAI and Anthropic, joining DeepMind, Google and Microsoft among others. There is a direct rail link to Cambridge, one of Europe's leading research hubs on the subject and UCL, LSE, Imperial and King's College London are minutes away. Neighbouring **Noho** and **Soho** have also seen recent leasing booms, particularly from TMT firms.
- **City Core North** continues to lead London's office submarkets, benefiting from sustained demand for best-in-class workspace. Over the last few years, a particularly high volume of new, high-quality stock has been delivered to the submarket, including 8 Bishopsgate, 21 Moorfields and 20 Ropemaker. Recent landmark transactions totalling over 200,000 square feet include Herbert Smith Freehills, Lockton Companies and Macquarie, which underline the area's appeal to major professional and financial services occupiers.
- Occupier demand is increasingly focused on quality stock in central locations. The vacancy gap with fringe locations is widening accordingly, which are almost exclusively in the second half of the table. While the overall London vacancy rate is around 11%, it varies between around 5% in some West End submarkets and over 20% in **Hammersmith** and **Hounslow**.

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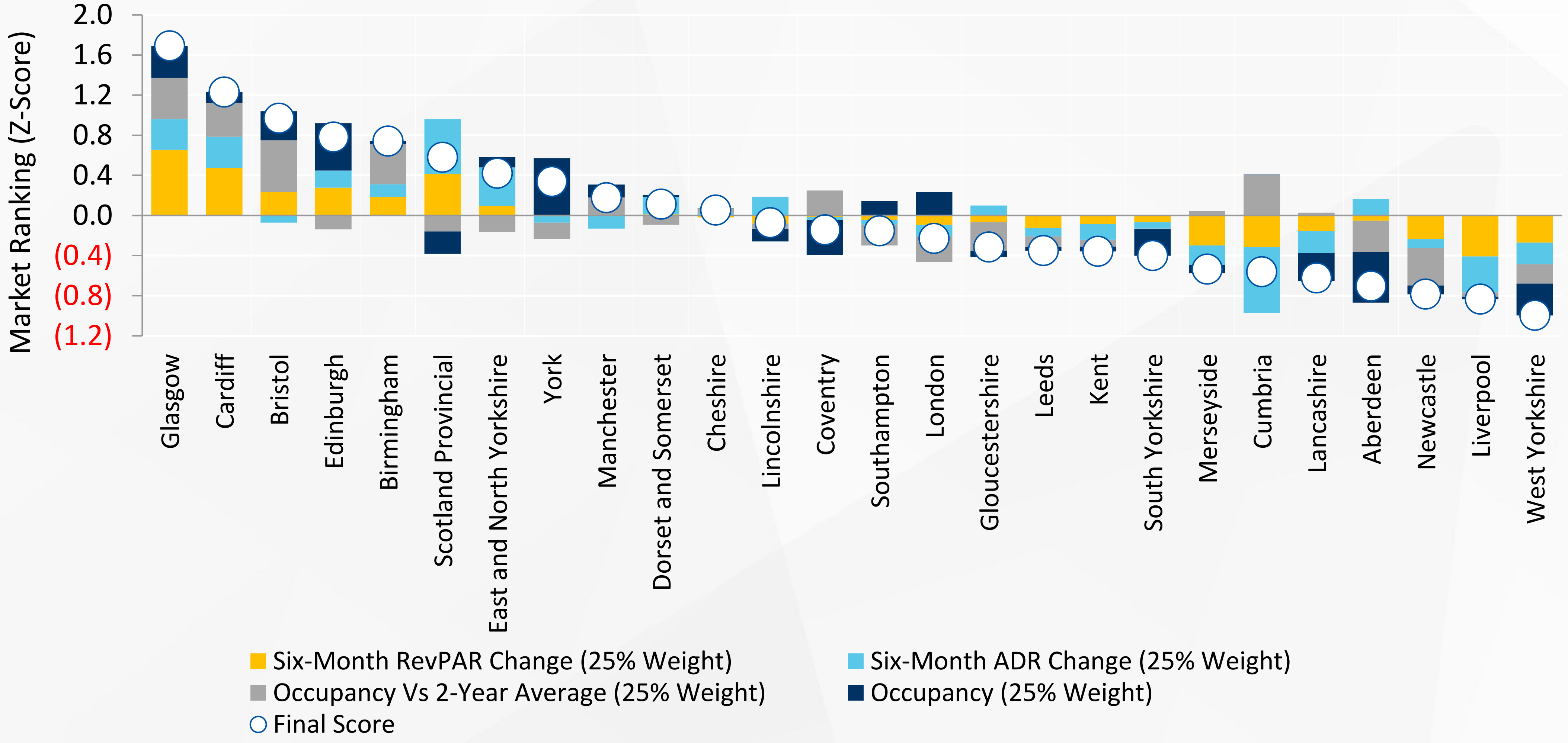
Hotel: Celtic nations take the top spots in H1

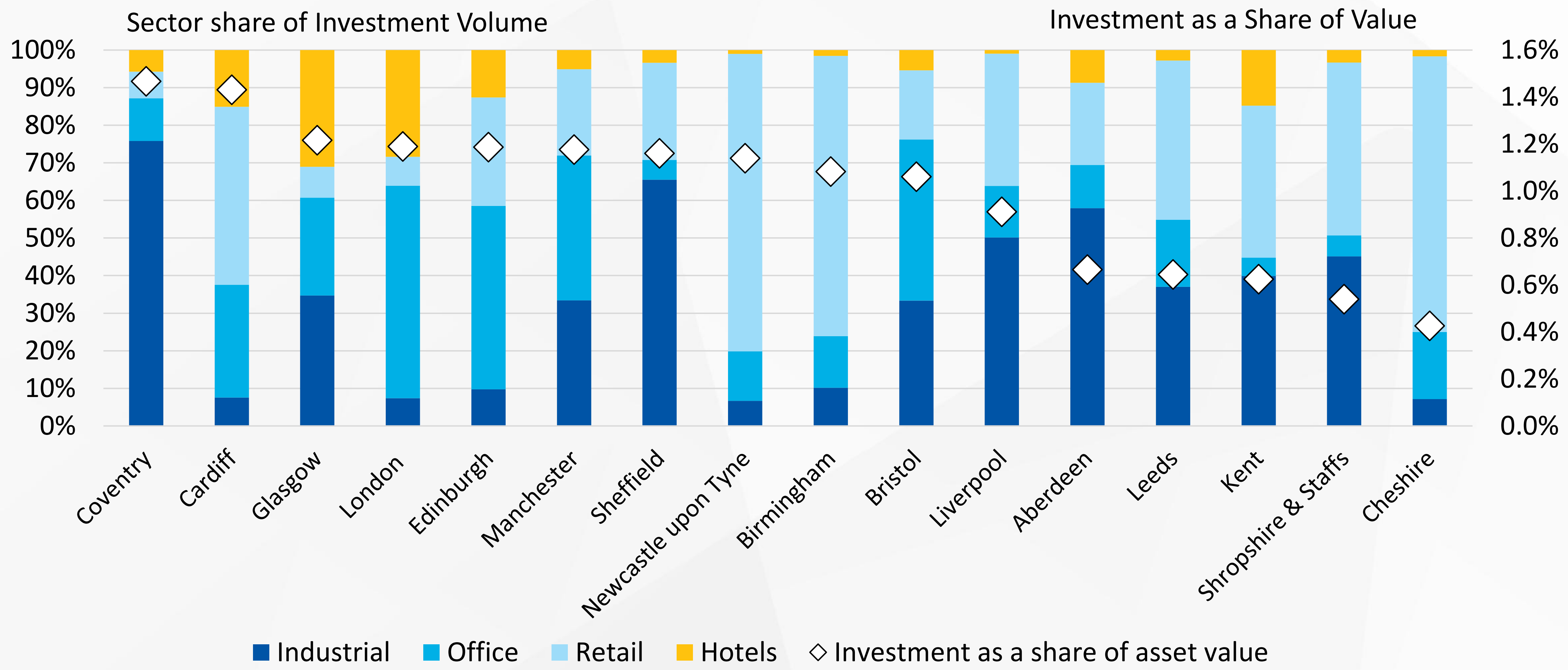


Source: CoStar

Hotel highlights

- Regional UK hotels have driven performance improvements in the first half of the year, as occupancy and rates improved compared to the same period a year earlier, with Scotland and Wales experiencing some of the biggest increases. Event-driven business has supported stronger performance for hotels in **Glasgow**, most notably during the week. This has continued into Q3, driven by demand for the Commonwealth Games, with overspill in other Scottish markets.
- Strong event-driven demand continues to underpin performance in **Cardiff**. The Principality Stadium remains one of the UK's most important hotel demand generators, with major concerts and other events creating compression nights that allow hotels to push rates. Cardiff continues to benefit from government, education, sporting and conference-related business, supporting weekday trading.
- Additional supply has adversely impacted hotel performance in **West Yorkshire** amid a stable trading environment. Increased room availability outpaced relatively strong demand growth, limiting hoteliers' ability to drive top-line metrics. While events such as UKREiiF, the UK's largest real estate conference, and others have boosted metrics, they have not been enough to offset losses from events held the previous year and increased competition.

Investment: Coventry, Cardiff and Caledonia outperform



Source: CoStar

Investment highlights

- Investment activity in the UK's industrial sector has stabilised but volumes remain constrained by limited liquidity. However, some well-connected logistics markets such as **Coventry and Sheffield** have outperformed. The Coventry market was lifted by the sale of the Project Dawn portfolio of three circa-300,000-square-foot units for approximately £130.25 million. The purchaser, EQT Real Estate (EQT) was motivated by opportunities for longer-term value enhancement.
- Investors are continuing to target large, dominant retail parks that combine strong occupier demand, resilient rental growth and attractive income returns. **Cardiff** investment has been lifted by the sector’s prolific investor, Realty Income, with its acquisition of several retail parks, including Cardiff Gate. In addition, office volumes in Cardiff were boosted by the sale of Hodge House in May for £31 million, the largest deal in the city for four years.
- Similarly, **Glasgow and Edinburgh** sit near the top of the table, supported by a mix of sector activity, largely due to office and retail transactions agreed at the beginning of the year, before the Iran conflict suppressed sentiment. Headlining this activity were several large office deals, driven by improving occupier markets, including the £78 million sale of Waverley Gate. More recently, there have been mid-sized deals of Straiton Retail Park, south of Edinburgh and a 150,000 SF industrial unit at EuroCentral.