

Prime Office Markets Across UK Outperform Major European Cities Since Start of Pandemic

2 years ago



Prime rents across the UK's office markets recorded notable increases since the start of the pandemic, with occupiers' flight to quality driving a supply/demand imbalance for best-in-class office space, underpinned by access to high-quality amenities, space on standout floors, and strong sustainability credentials.

According to CBRE research, Leeds has recorded the strongest prime rental growth of the 10 city office markets analysed outside of London and the South East. The city's prime rents stand at £37psf – reflecting an increase of 23% since the start of the pandemic (Q4 2019 to Q2 2023). This represents the strongest prime rental growth of any major office market in Europe, excluding the London West End core markets of Mayfair & St James's.

Berlin's prime rent growth since the pandemic stands at 16%; Milan at 15%; Paris at 14%, followed by Amsterdam at 9%.

By comparison, in the same period, Bristol (21%), Liverpool (21%), Edinburgh (19%), Birmingham (19%) and Manchester (18%) recorded significant prime rental growth. The trend is continuing into H2 2023, as evidenced by Glasgow prime rent reaching £39.50psf from the pre-Covid level of £32.50psf.

Rental value growth has also been exceptionally strong in some South East office markets, most notably Oxford where prime rents at the end of Q2 2023 reached £63psf, an increase of 70% from the level seen in Q4 2019. The increase has been driven by the lack of prime stock available and the huge growth of the

science and tech sector, fuelling demand for office and lab space.

Despite overall take-up outside of London declining year-on-year by 13%, demand for the best quality space was high across the whole of the UK in H1 2023. Two of the three largest deals in Q2 took place in newly completed space, led by RE-defined taking up 36,300 sq ft of new space at Louisa Ryland House in Birmingham

In tandem, the supply of new, grade-A space remains at critically low levels in some markets.

Simon Brown, head of UK Office Research said: “One of the consequences of the supply/demand imbalance for the best quality space has been rapid rental growth at the prime end of the market. Deals transacted since the start of this year have set record high benchmark rents in most cities and many city office markets are recording prime rental values ahead of pre-Covid levels.”

Matt Willcock, Executive Director, Office Investor Leasing, at CBRE added: “Beyond London, our major city office markets are outperforming many of the major European markets – Berlin, Milan, Paris – in terms of prime rental growth and values. While broadly speaking take-up may have slowed, it’s clear there is healthy demand from occupiers seeking new, high-quality sustainable office space that enhances connectivity and wellbeing in a collaborative environment.”

Notes to Editors: The 10 city office markets outside of Central London tracked by CBRE are: Aberdeen, Belfast, Birmingham, Bristol, Edinburgh, Glasgow, Leeds, Liverpool, Manchester and Southampton.