Adaptive Spaces

UK Flex Market

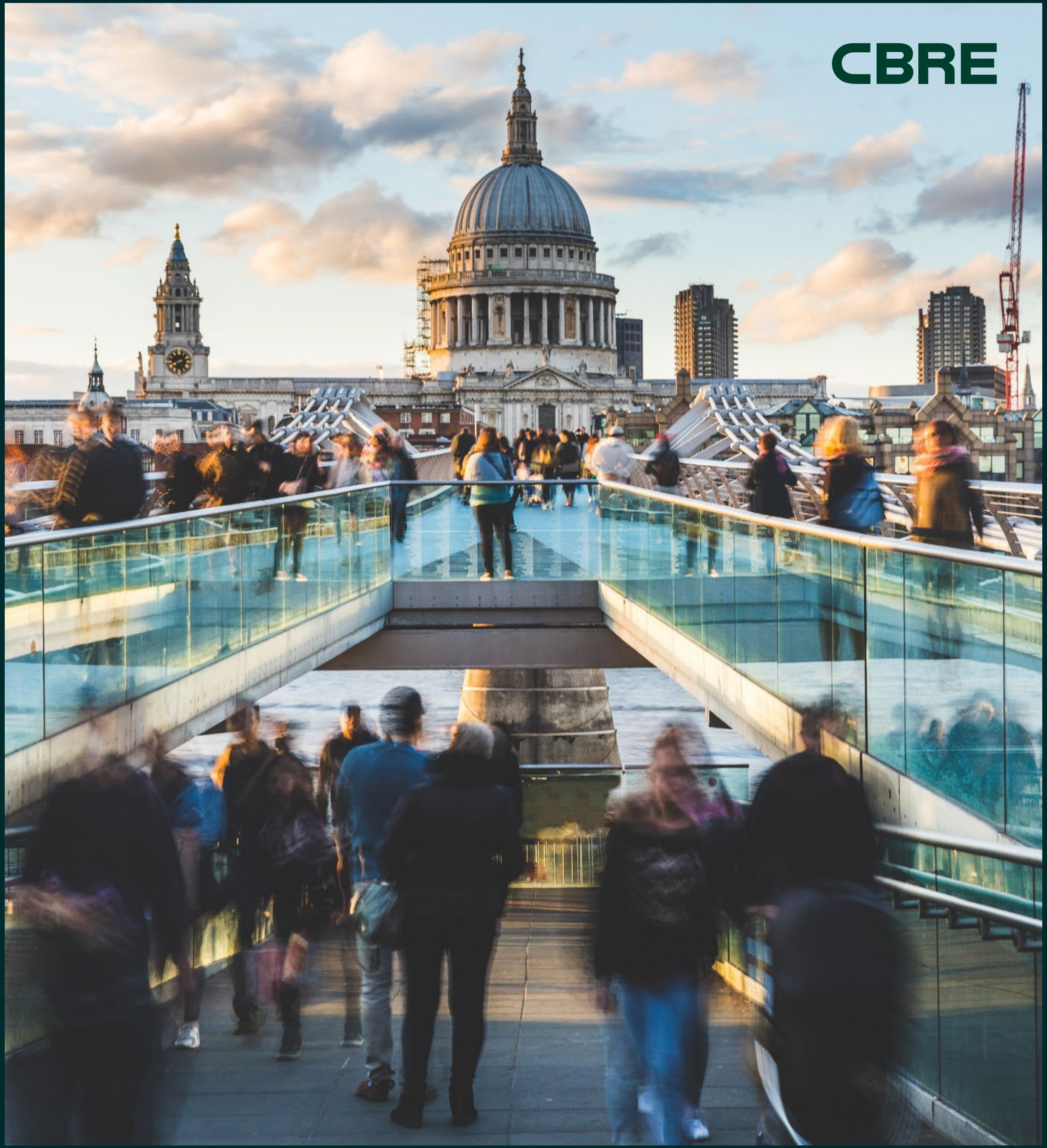
H1 2026

REPORT

UK

REAL ESTATE

CBRE FLEX



Introduction

H1 2026 confirmed flexible workspace as a core component of UK office market. Demand grew across every region, deal structures broadened, and the quality of new supply continued to rise.

AI businesses remain the standout driver of demand in London, where flex transactions increased 20% vs H2 2025. Across the Midlands, the North and Scotland, financial and professional services occupiers led demand, using flexible workspace to manage headcount, maintain agility, and support return to office mandates. Rates held firm or improved in most markets, with London, Birmingham, Bristol, Manchester, and Leeds all seeing upward pressure from high occupancy and high-quality new supply.

Operator appetite has strengthened steadily, culminating in a full recovery in London during H1. Competition for space is intense, with take-up reaching its highest level since before the pandemic. Across the UK, pressure on the Valuation Office Agency (VOA) from flex operators continues to build, and H2 is expected to bring greater clarity on business rates policy.

Clear trend towards more flex in portfolios

Take-up in London has reached its highest level since before the pandemic, a sign of renewed operator confidence underpinned by occupier demand.

Landlords want to partner with operators on high-quality flexible workspaces, and on the amenities that activate a building and support the conventional leasing cycle.

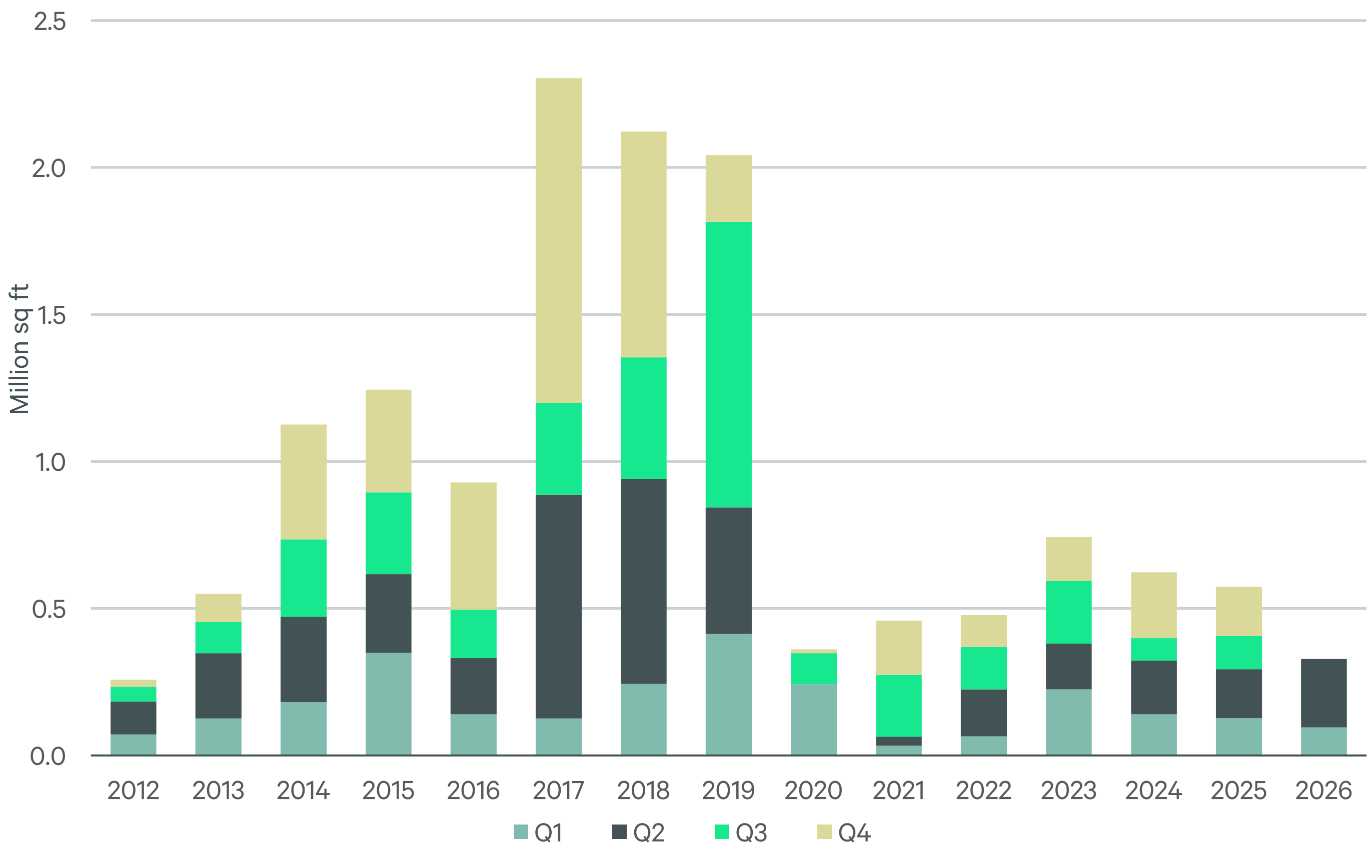
Growth is coming from a wider range of deal structures than ever before, and it now spans every asset type across both prime and secondary stock. The clearest sign of that maturity is how far landlords have come to accept nominal base rent plus profit share leases, a structure many would have resisted only a few years ago. Sharing the risk and the upside is opening space that conventional terms would have left empty.

Landlords will now share the downside revenue risk and the upside, but the operators winning mandates are those willing to fund the CapEx to build out the flex space and to offer a rent deposit or bank guarantee as extra security.

Take-up is broadly spread, with no single operator dominating and demand running across a diverse group of providers. That breadth matters, because it points to a market growing on fundamentals rather than on the expansion of one or two dominant operators.

Investors have reached the same conclusion: any new scheme of scale now needs a flex component to compete. Flex has moved from an amenity to a core requirement in underwriting.

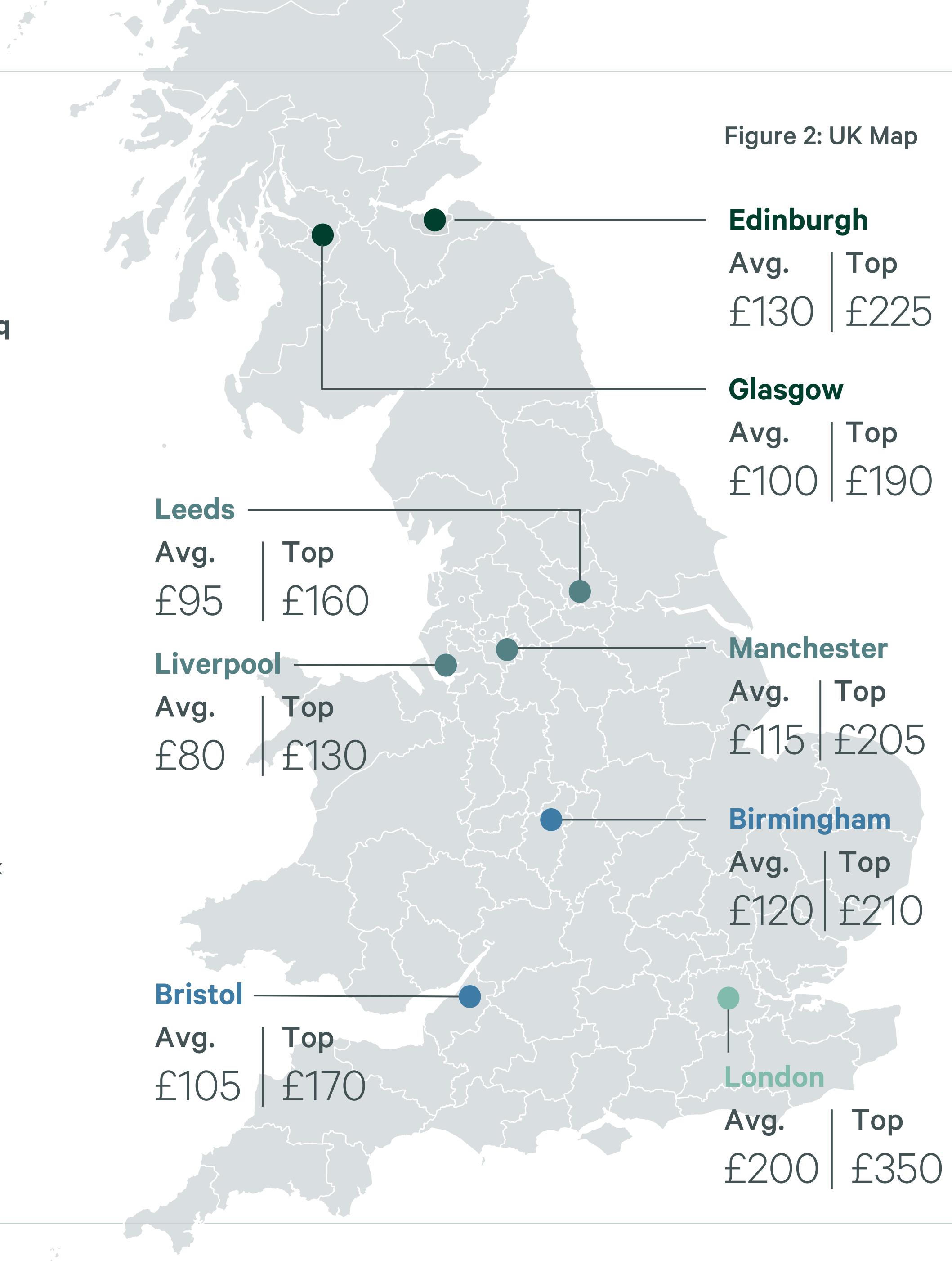
Figure 1: Central London flexible office operator take-up, 2012 to Q2 2026



UK pricing

CBRE tracks the average and top rates achieved in each UK market (cost per sq ft) to benchmark flex performance.

Figure 2: UK Map



Scotland

Glasgow and Edinburgh top-end rates have held at the record high achieved in 2025.

New centres opened in both cities this year, built for demand for better-quality space. This will squeeze occupancy at existing centres and will likely increase average rates again.

The North

Manchester continues to see strong desk rates compared with other northern cities. Occupiers want premium, amenity-led centres, and regional and national requirements are chasing the same stock. Pricing is rising alongside demand.

Leeds remains the best value of the UK's major flex markets, and growing businesses keep choosing it for high-quality space at a lower rate. Premium stock is limited and higher specification space is arriving. We expect rental growth to strengthen by year-end.

The Midlands and South West

Pricing rose steadily through H1 2026. Birmingham and Bristol are running at high occupancy, and new high-quality centres are setting higher top-end rates, which lifts the average.

More openings are expected from existing and new operators before year-end, carrying momentum into H2.

Central London flex office rates

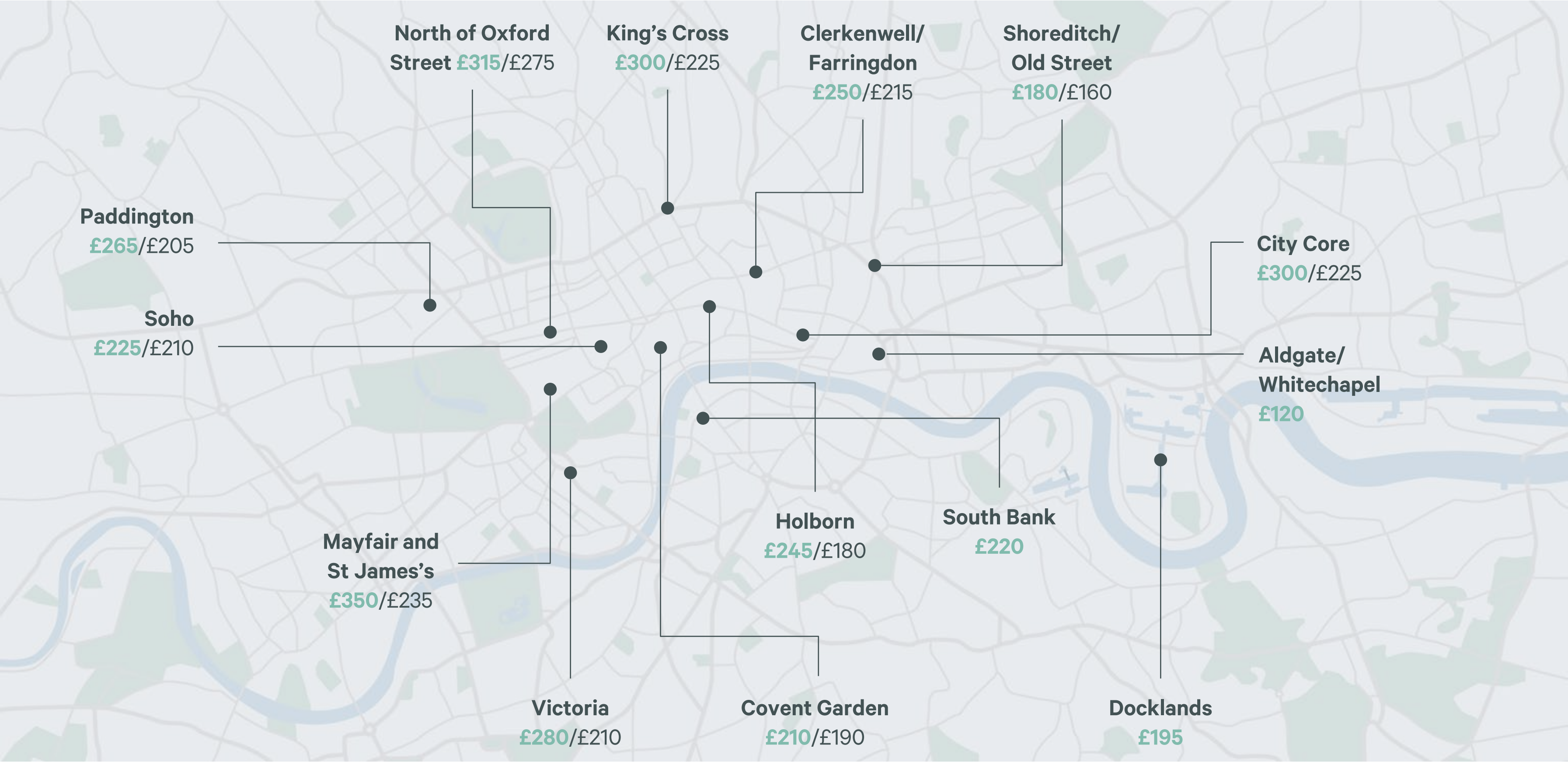
Rates increased across London's core markets in H1 2026, with the most significant growth recorded in the City Core, where prime rents reached levels comparable to those in North of Oxford Street and King's Cross. Landmark openings, including The Work Project at One Leadenhall, helped set a new benchmark for premium workspace.

Rates in the West End remained stable. A growing supply of managed suites in Soho and Fitzrovia continues to meet demand for shorter-term, fully fitted, branded workspace. North of Oxford Street recorded an increase in average rates despite a decline in the headline rate, supported by more consistent mid-market demand and an expanding supply pipeline.

Larger transactions continue to attract higher incentive packages, placing downward pressure on average achieved rates across London.

The highest rate achieved fell by approximately £30 per sq ft compared with H2 2025. This reflects a more cautious approach from operators, many of whom are prioritising client retention and occupancy over pursuing higher headline rents at the risk of increased vacancy.

Figure 3: Central London Flex office rates, H1 2026 (£ psf) >10 desks



Note: CBRE Top rate achieved/Average rate achieved. Where only one rate is listed, only one transaction is recorded.

London demand is broadening, with AI occupiers taking smaller suites, tenures shortening, and new openings setting a higher standard for quality

AI businesses drove a 20% increase in flex transactions in H1, with mostly US companies taking smaller suites and scaling as they grow.

Average transaction size has fallen approximately 10% since H2 2025. AI occupiers are taking short-term space, and conventional occupiers are using flex as overflow while they weigh longer-term decisions. The pattern is sharpest in tight markets such as Mayfair and St James's, where limited conventional supply pushes occupiers towards flex. Corporate occupiers still use flex for swing and project space, and they choose short-term commitments in prime buildings with strong amenities.

Average tenure has shortened for the same reasons. For corporate occupiers, flex is now one component of a wider real estate strategy rather than a standalone commitment. SMEs still prioritise flexibility above all else.

Customer experience drives retention, and retention rates are rising year-over-year.

2,900 sq ft

Average transaction size (H1 2026)

19 months

Average contract length (H1 2026)

TMT

The sector that acquired the most flex space (H1 2026)

The Midlands and Bristol market is tightening, with demand spreading beyond prime cores, fewer options in city centres, and Grade A openings lifting rates

CBRE transaction volumes have risen steadily since late 2025, supported by strong occupancy across the central business districts of Birmingham and Bristol. Demand is also extending beyond the core markets, with peripheral towns and cities recording more transaction activity in the first half of the year.

City centre availability remains limited, and occupier requirements are getting larger, so the range of suitable options is narrowing. Several high-quality developments are due to enter the market, but most are substantially pre-let or reach high occupancy shortly after launch.

Bristol shows the pattern clearly. Runway East opened Queen Square in July at 95% occupancy, and Gilbanks, which does not launch until year-end, is already c. 50% pre-let.

Birmingham is following. Block launches c. 24,000 sq ft at 1 Colmore Square in August, its first location outside the South West, and demand is expected to be similarly strong.

1,100 sq ft

Average transaction size (H1 2026)

19 months

Average contract length (H1 2026)

Financial Services

The sector that acquired the most flex space (H1 2026)

Northern demand is deepening, with hybrid working shifting requirements toward shared amenity space, operators fitting out new sites, and scarce premium stock lifting rents

Businesses use flex to manage changing headcount and hybrid working patterns, and to reach high-quality amenities. That demand now lands on shared meeting and collaboration space, which occupiers no longer need to provide themselves. With stricter return to office mandates, we have also seen an increase in corporate flex requirements.

Manchester and Leeds are both performing strongly. Occupancy is healthy, and a pipeline of occupiers wants to expand or establish a presence in the two cities.

In Manchester, Block and X+Why are fitting out their latest locations, both due to open in Q3. In Leeds, Bruntwood is expanding its serviced workspace offering at West Village.

Demand for the highest-quality workspace is strong, and premium stock is limited. Premium operators are approaching full occupancy. New developments in both cities will support rental growth.

1,600 sq ft

Average transaction size (H1 2026)

14 months

Average contract length (H1 2026)

Financial Services

The sector that acquired the most flex space (H1 2026)

Scotland is scaling quickly, with flex transactions more than tripling, demand broadening beyond Glasgow and Edinburgh, and constrained premium supply lifting rents

CBRE flex transactions in Scotland have more than tripled between 2025 and H1 2026. Glasgow and Edinburgh account for most of that activity, however demand has broadened into the regional areas and Aberdeen.

Occupancy is strong in both cities, and operators are expanding on the back of it. IWG grew its Scottish presence again in H1, and others will follow before the end of 2026. Several brands with a track record elsewhere in the UK are set to enter Scotland for the first time. Landlords are building their own flex offerings and treating flex as part of the leasing strategy, not a niche product.

Demand for high specification serviced office space continues to grow in Glasgow and Edinburgh, and premium supply stays limited. New premium centres arrive at that gap, and they will push average rents per sq ft higher in both cities.

500 sq ft

Average transaction size (H1 2026)

12 months

Average contract length (H1 2026)

Financial Services

The sector that acquired the most flex space (H1 2026)

Trend spotlight: Business rates remain a key topic for the flex sector

THE ISSUE

Business rates have dominated flex sector discussion for two years.

The Valuation Office Agency (VOA) changed how it assesses some serviced office and coworking space, reassessing properties as a single hereditament and, in some cases, backdating liability to April 2023.

Operators raised four concerns:

- Merged assessments strip out Small Business Rates Relief (SBRR) and the ability to claim Empty Rate Reliefs.
- Assessments capture amenity and common areas that generate no income.
- Retrospective liabilities land as large, unbudgeted costs.
- Potential implications for customer pricing and operating margins.

The debate has reached Westminster and came up recently at Prime Minister's Questions.

THE VOA HAS MOVED TO A MORE PRAGMATIC POSITION

Engagement between the industry and the VOA has shifted the position. Industry commentary points to a case-by-case approach that turns on how space is occupied and what the licence says. For traditional serviced offices, licence wording now decides the outcome. Where the agreement shows occupier control and permanence, individual suites can keep separate assessments.

Three principles:

- The operator must not hold paramount or exclusive control over occupied suites.
- Occupiers cannot be moved at short notice. Around 28 days is the accepted minimum.
- Operator access must be reasonable and limited to cleaning and maintenance, not unrestricted entry.

That is a marked improvement on the position six months ago. Legal challenges continue: a recent High Court granting permission for a judicial review of a £500,000 backdated assessment on a London coworking operator may shape how the VOA applies policy from here.

KEY TAKEAWAY

A more pragmatic approach from the VOA represents a meaningful step forward for operators. However, careful attention to licence agreement wording and ongoing monitoring of legal proceedings remains essential for the sector.

> "Business rates have been the single biggest source of uncertainty for flex operators over the past two years, so it's encouraging to see a more pragmatic, case-by-case approach starting to emerge from the VOA. It's a step in the right direction.
>
> That said, operators shouldn't read this as the issue being resolved. The detail now sits in the licence wording – demonstrating genuine occupier control and continuity is what will determine whether individual assessments hold up.
>
> My advice to operators, and this is the advice we have been giving clients, is to review their agreements now rather than wait, and keep a close eye on the Judicial Review working its way through the courts, which will ultimately shape how this policy is applied"

Daniel Hill
Director, Rating, CBRE

Conclusion

01

Operator Confidence
Take-up in London reached its highest level since before the pandemic, with no single operator dominating. It is commonly accepted that all new developments of scale will have a flexible workspace component. In addition, building owners are increasingly open a variety of deal structures that is beginning to fuel growth.

02

Occupier Demand
AI businesses drove a 20% increase in flex transactions in London in H1, mostly US companies taking smaller suites and scaling as they grow. Across the Midlands, the North, and Scotland, financial and professional services occupiers led demand, using flex to manage headcount and support return-to-office mandates. Customer experience is driving retention, and retention rates are rising year-over-year.

03

Northern Markets
Manchester and Leeds are both performing strongly, with healthy occupancy and a growing pipeline of occupiers looking to expand or establish a presence. Scotland is scaling quickly: CBRE flex transactions more than tripled between 2025 and H1 2026, with demand broadening into Aberdeen and the regions alongside Glasgow and Edinburgh.

04

Business Rates Review
The VOA has shifted to a more pragmatic, case-by-case approach, with licence wording now the key determinant of whether individual suites retain separate assessments. A High Court has granted permission for a judicial review of a £500,000 backdated assessment on a London coworking operator, which may shape how the VOA applies policy from here. Operators should review their licence agreements now rather than wait.

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