

Intelligent Investment

2026 UK Real Estate Market Outlook

REPORT

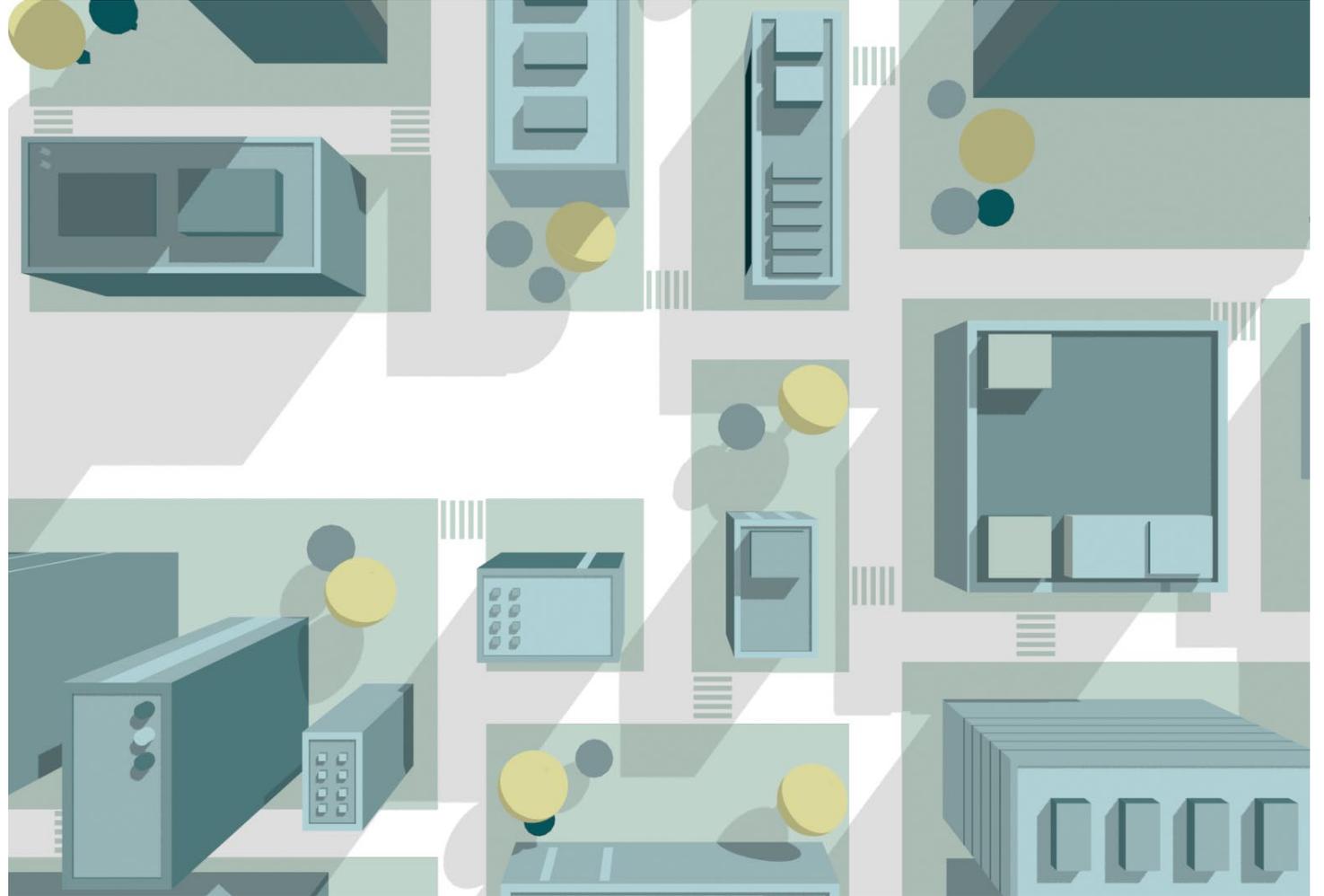
CBRE RESEARCH
JANUARY 2026

CBRE



Contents

- 3 Executive Summary
- 4 Economy
- 7 Capital Markets
- 10 Offices
- 13 Logistics
- 16 Data Centres
- 19 Retail
- 22 Living
- 25 Operational Real Estate
- 28 Life Sciences



Executive Summary

- The UK **Economy** is likely to see marginally softer growth in 2026. Consumer sentiment has strengthened and inflation will continue to fall, however income growth will slow and fiscal policies will tighten as a result of the 2025 UK Autumn Budget. There are downside risks to the outlook originating from global uncertainty. We expect a boost to UK real estate **Capital Markets** as the positive momentum established in late 2025 continues into this year. We anticipate a further reduction in the cost of debt driven by falling interest rates and rising competition to deploy capital into UK real estate.
- Macroeconomic expectations will support the **Living** sector and boost investment into Build-to-Rent and Purpose-Built Student Accommodation (PBSA) assets. Yields are expected to be stable in 2026 but subject to transaction activity, there is the potential for yield compression towards the end of the year. This, alongside rental growth, will contribute to capital value growth.
- **Office** market supply for high-quality, well-located stock remains tight and, as a result, we expect the number of occupiers choosing to renew or regear to remain above average. This trend will also promote growth in prime rents among the best spaces and push more demand outside of core locations in 2026. Prospects for **Life Sciences** are set to improve, with venture capital investment outperforming historical averages in 2025, and an expected boost from the Autumn Budget measures to support the scaling of companies and broadening of capital flows into the sector.
- A softer development pipeline will drive occupational market dynamics for **Logistics**. Following a strong year for completions in 2025, vacancy is expected to reduce as net absorption will align more closely to net completions this year. Tenants will continue to favour high-quality pipeline space in 2026, further reducing the available pipeline of build-to-suit space. **Retail** markets will remain polarised; with a shortage of supply in sought after locations, but continued challenges for locations outside of the top tier. Many multi-site retailers will continue to optimise their portfolios.
- New sources of capital are targeting **Operational Real Estate (OPRE)**, with initial activity having been focused within the healthcare sector. We expect hotels, hospitality, and infrastructure-like sectors to see an uptick in activity in 2026. The surge of AI will continue to support **Data Centre** development and 2026 is likely to be the second strongest year for supply creation; following the record achieved in 2025. Take-up is forecast to exceed new supply for the fifth year in succession.



Introductory Note by

Tasos Vezyridis

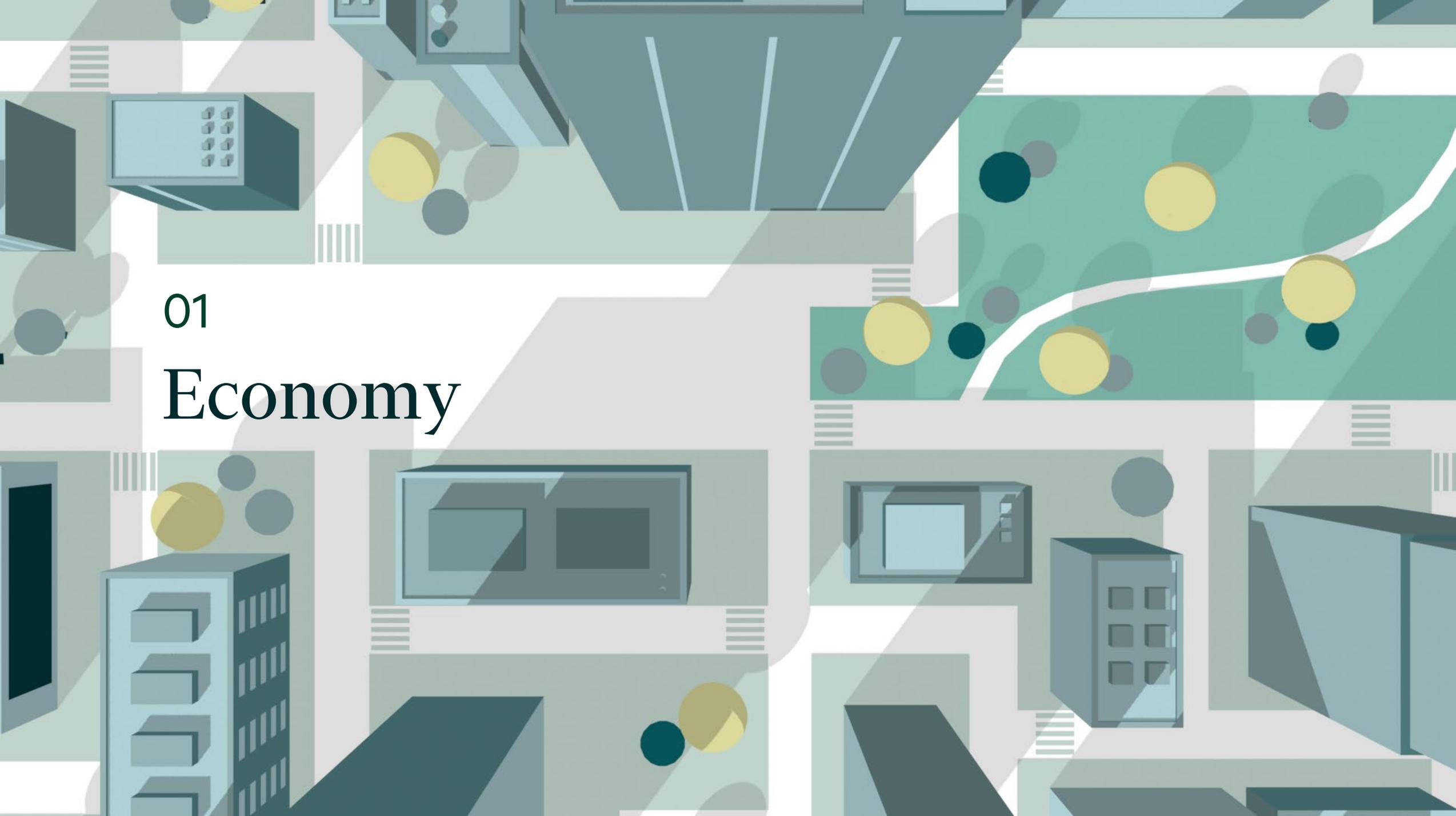
Head of Research, UK&I and Continental Europe

Welcome to CBRE's UK Real Estate Market Outlook 2026.

The UK is embarking on 2026 with cautious optimism. From a macroeconomic perspective, several metrics are set to improve, and activity in late 2025, including the Autumn Budget announcement, has brought greater certainty to begin the new year. That said, we expect marginally slower growth in 2026 relative to 2025. Despite global headwinds, we anticipate the recent positive signs for market activity to develop further this year.

Real estate capital markets will see a sustained increase in transaction activity and gradual recovery in asset performance driven by rising rental values. Increased activity from domestic core capital and cross-border capital inflows are set to continue, and deployment into real estate by defined contribution pension providers will increase, supported by government initiatives. Falling interest rates and greater competition between lenders mean that the cost of debt will continue to reduce.

The occupational outlook is distinctly sector-dependent, but most asset types will see a boost as improving macroeconomic conditions support business productivity and the progression of government initiatives. In particular, this will support progress in the living sector, strengthen activity in healthcare, and underpin another strong year for data centre development. In the more traditional sectors, supply dynamics will continue to shape the 2026 outlook with demand firmly focused on high-quality, well-located spaces.



01

Economy

01

Economy

Moderate growth despite challenges

Last year, the UK economy started on a solid footing, supported by modest growth and interest rate cuts.

GDP expanded by 0.9% in H1 2025, and the Bank of England (BoE) delivered two rate cuts. However, global uncertainty – exacerbated by US trade policy and elevated inflation – tempered momentum as the year progressed. As we move into 2026, the outlook remains uncertain.

With key trade agreements now in place and energy and food price pressures expected to ease, inflation is forecast to return to just above target by mid-2026. This environment should allow the BoE to implement an additional rate cut in 2026, continuing its gradual loosening cycle.

Lower interest rates, combined with falling inflation, are expected to support real wages and underpin household consumption. Further support will come from increases in the minimum wage, but households have remained cautious in recent years, maintaining elevated savings.

Consumer sentiment has improved, particularly regarding personal finances and major purchases, however rising unemployment might dampen enthusiasm. This should support modest consumption growth through 2026–2027, despite weaker income trends.

The 2025 UK Autumn Budget – through extended tax thresholds, new levies, and higher rates on investment income – was largely contractionary with prospects of longer-term fiscal tightening. This fiscal drag could temper consumption-led growth, even as targeted welfare measures offer limited relief.

Despite a more stable inflation backdrop, overall growth is expected to soften slightly in 2026. This reflects tighter fiscal policy and slower income growth, even as monetary conditions ease. In a global context, this moderation is not unique.

Figure 1: CBRE economic forecasts

	2025	2026	Directional change from 2025
GDP growth (%)	1.4	1.2	▼
CPI (%)	3.4	2.5	▼
Unemployment (%)	4.8	5.1	▲
10-year gilt (%)	4.6	4.3	▼
Rate cuts	4	1	▼

Source: CBRE Macroeconomic House View, December 2025

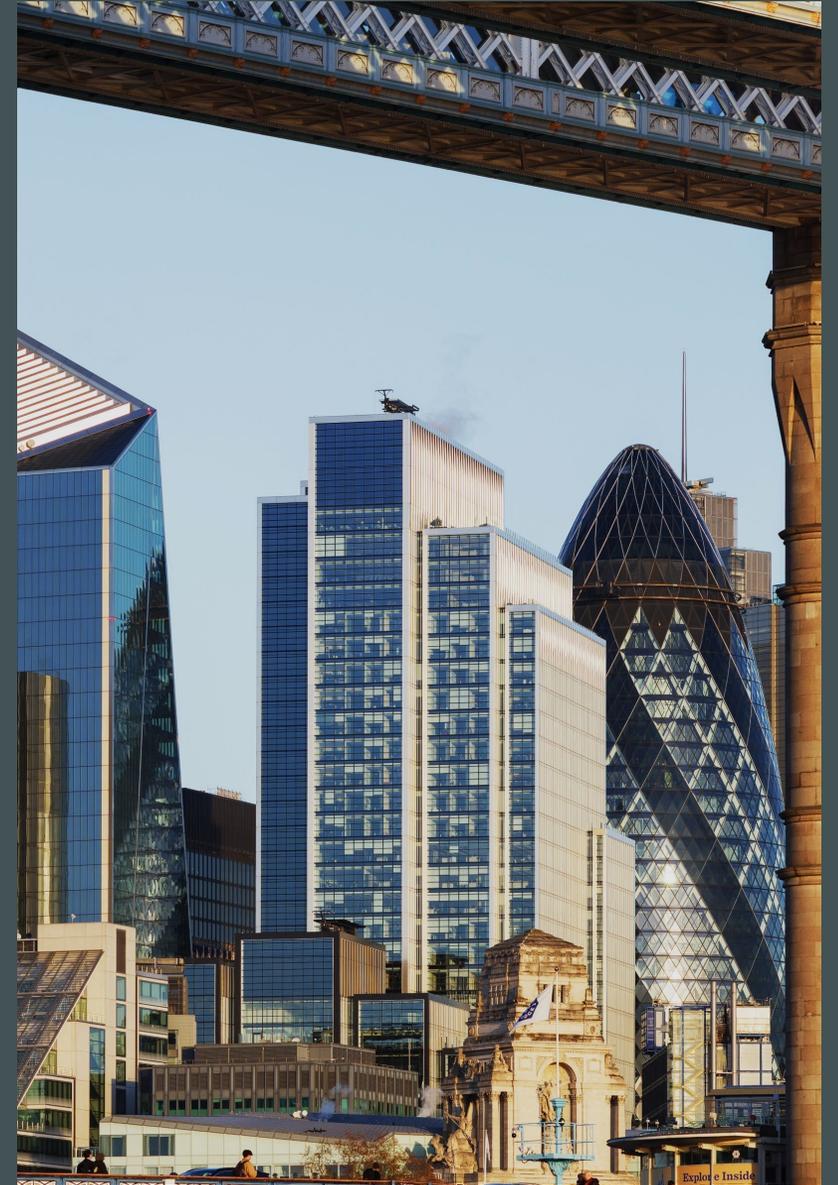
Note: 2025 data points remain as estimates and are subject to change

01

Economy

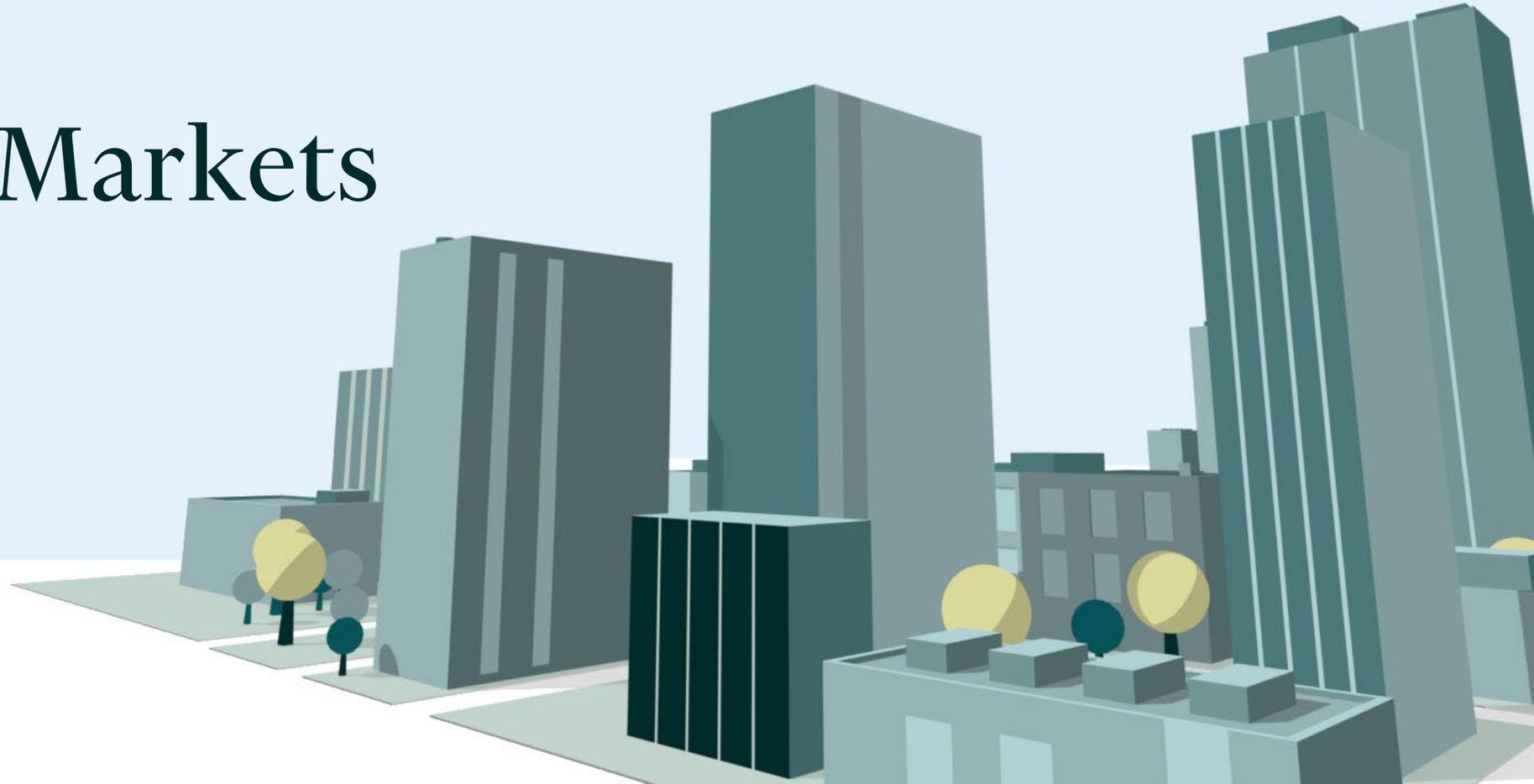
Trends to watch

- Higher gilt yields remain a defining feature, mainly driven by fiscal constraints and elevated debt levels. Consensus forecasts for ten-year rates show a spread of 110 basis points ranging from 3.75% to 4.85%, with forward-implied yields leaning toward the upper range, underscoring uncertainty in the yield outlook. Our expectation is for the ten-year gilt yield to settle at c. 4.3%. However, any downward shift in bond yields, whether through global stabilisation or accelerated rate cuts, could ease financing costs and support real estate asset valuations.
- Inflation, having been elevated throughout 2025, is expected to trend closer to target in 2026. However, stickier-than-expected inflation could impact the BoE rate cuts trajectory and weigh on confidence and erode households' spending potential.
- Despite muted GDP growth, labour markets remained relatively tight in 2025. However, unemployment has risen, and is expected to increase in 2026, and further deterioration could dampen household confidence and consumption, amplifying potential downside risks to the growth outlook. However, if unemployment were to rise significantly, pressure on inflation would ease. This may in turn prompt additional rate cuts from the BoE, which could ease financing costs for real estate.



02

Capital Markets



02

Capital Markets

Improving performance will spur more investment in 2026

We expect to see gradual growth in capital values in 2026, as the UK real estate market continues its recovery. This growth will be driven by rising rental values rather than significant yield compression.

We expect long-term bond yields to remain elevated next year, although this depends on how the UK economy and fiscal position evolves. Yet even a gradual rise in capital values allied to the continued receipt of income should mean another year of solid performance for UK real estate. Our prime property forecasts indicate net total returns of c. 8.5% for 2026 when aggregating across different real estate sectors.

We anticipate a more sustained improvement in investment activity in 2026. While 2025 saw more activity in certain asset types, transaction volumes were lower for the market overall. Yet, towards the end of 2025, there were more large transactions, notably in the London office market, with signs of increased activity from domestic core capital and cross-border capital.

We expect this to continue in 2026. Increased deployment into real estate by defined contribution and local government pension schemes is anticipated, supported by government initiatives to increase investment into UK private markets.

Our interest rate forecasts, together with increased competition among lenders, suggest that real estate debt costs will decrease further. This should make debt accretive for a wider range of prospective real estate investments. However, reduced equity raising for real estate in the last three years will be a drag on activity as investors look to redeploy capital into new initiatives as 2026 unfolds.

Income return allied to a gradual rise in capital values should mean another year of **solid performance for UK real estate.**

Figure 2: Prime commercial property yields, swap rates, and gilt yields



Source: CBRE Research

Note: Prime commercial property yields are a weighted average of industrial, office and retail yields.

02

Capital
Markets

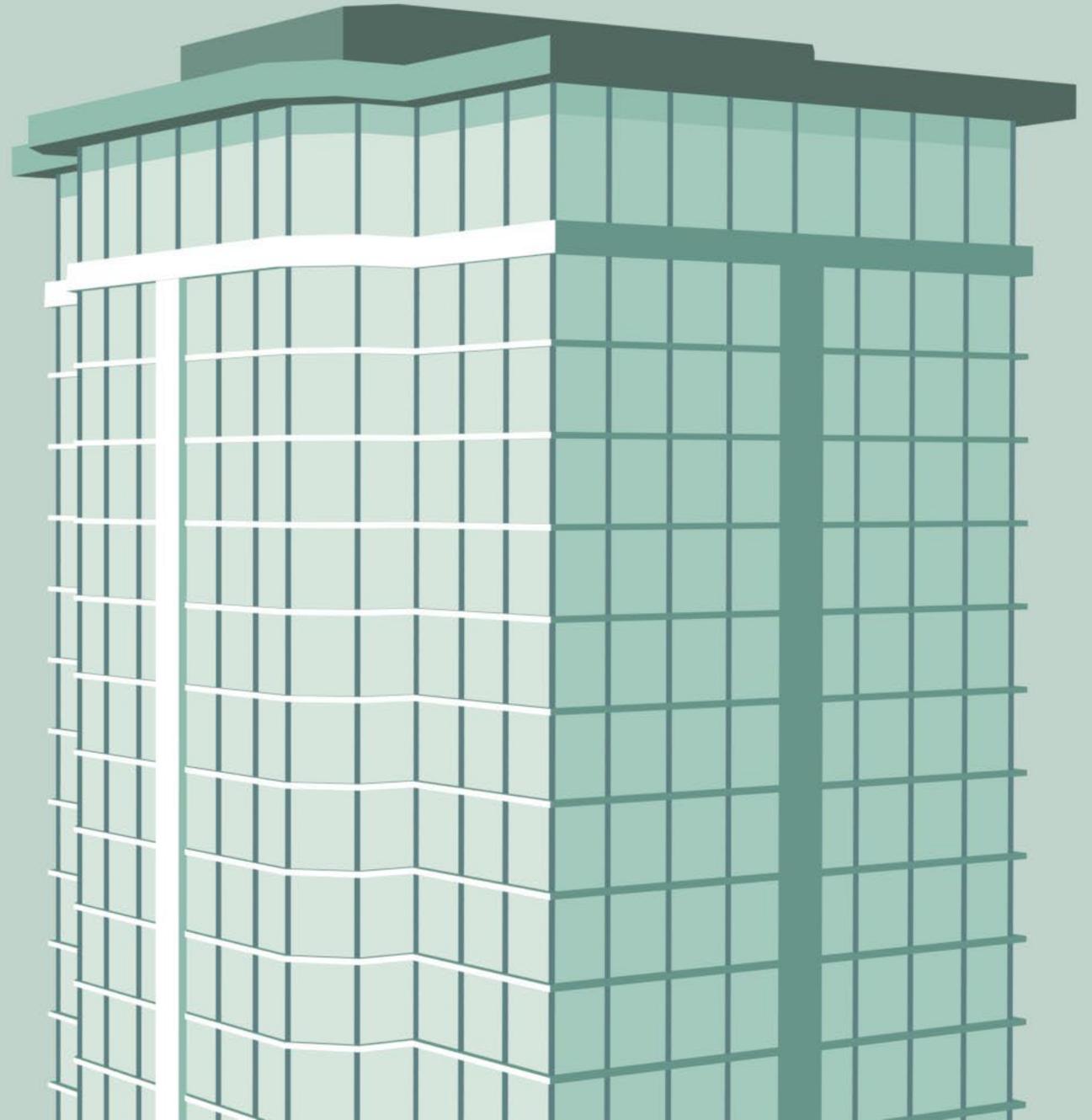
Trends to watch

- We expect investment activity in core commercial real estate sectors such as retail and office to increase in 2026, reflecting improved performance after significant repricing in the last few years. Yet the near-term outlook for older, secondary stock remains challenging, especially in regional markets, unless there are viable options for redeveloping or repurposing assets into other uses.
- Sustainability considerations have had the most impact to date on pricing and performance in the office sector. We anticipate that 2026 will see this impact grow in other sectors of the UK real estate market as investors and lenders seek to ensure compliance with upcoming energy efficiency regulations and future-proof their portfolios against climate change.
- We expect investment to increase in alternative sectors such as healthcare and data centres this year as the real estate investment market continues to broaden in scope. These sectors should continue to attract insurance and infrastructure capital based on their different cash flow and performance profiles when compared with traditional real estate assets.
- Loan originations for real estate investment and development rose in 2025 and we expect originations to rise again this year as UK market conditions improve. While most lending last year was focused on the refinancing of investments, we anticipate a more even balance between acquisitions and refinancing as sources of demand for debt in 2026.
- Consolidation saw the number of listed UK REITs fall from 54 in December 2022 to 40 in December 2025. We expect this process to continue in 2026 as the market moves towards fewer, larger REITs. However, the listed sector should see stronger share price performance this year as interest rates reduce and conditions improve in the underlying real estate market.



03

Offices



Supply constraints will determine market dynamics

Provisional take-up for 2025 in Central London was 11.4m sq ft.

We expect similar levels of take-up in 2026, with risks more heavily weighted towards the downside. For the *Big Six UK office markets, provisional figures show that 2025 take-up was 4.2 m sq ft. In the regional markets tracked by CBRE, we forecast that take-up will decrease by 11% in 2026. Despite this, we anticipate prime rental growth in both London and regional office markets because of supply side constraints.

Take-up volumes were marginally below average in 2025 due to a higher-than-normal number of occupiers choosing to renew or regear rather than take a new lease. This trend has been driven by a lack of availability of high-quality, well-located stock, especially for larger-scale floorplates. Increased fit-out and rental costs have also been key factors driving occupier decisions. In 2026 these dynamics will persist.

At the end of 2025, there was just 8.0m sq ft of unlet, under construction space across all office markets tracked by CBRE.

Relative to the annual average take-up of development space across the UK of 6.4m sq ft, this implies that there is only 1.3 years of supply currently under construction. We expect construction starts to remain below trend levels in 2026 due to a combination of issues including planning constraints, elevated construction costs, and the high cost of development finance.

The tight supply of new space in prime areas is likely to increase rents at the top end of the market in 2026. Having seen 9.1% prime rental growth in the City core and 18.8% prime rental growth in the West End core in 2025, prime rent forecasts predict further growth in 2026. The City core could see prime rents reach £93.00 psf by the end of 2026, and £200.00 psf in the West End core. Similar dynamics are expected in the regional markets, with between 1.0% and 5.3% prime rental growth forecasted in most cities in 2026.

Due to the tight supply of grade A space in core locations in each UK city, we expect some larger corporate occupiers to focus on more peripheral areas, in pursuit of either lower cost or better-quality stock. A shift in demand to peripheral areas will see rental growth spread beyond core locations in 2026.

Figure 3: UK Regional Developments, Q4 2025



Figure 4: Central London Developments, Q4 2025



Sources: CBRE Research

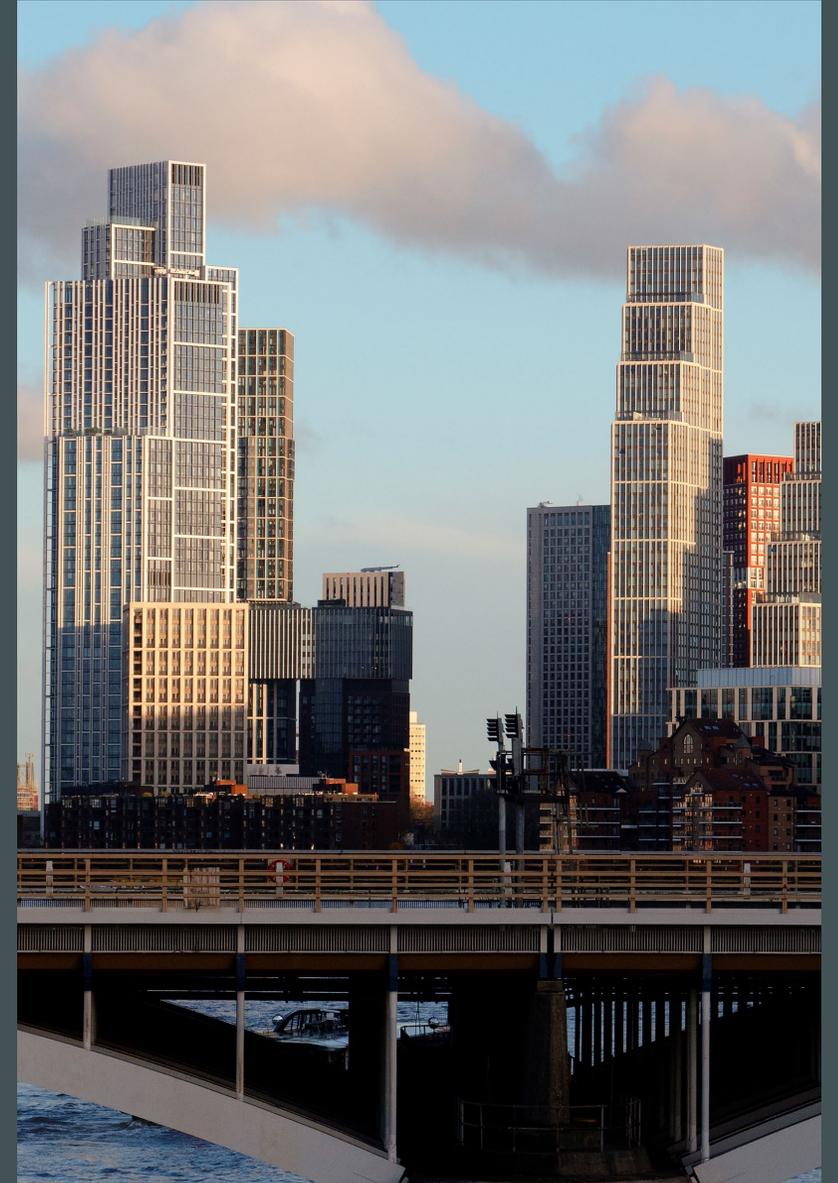
Note: UK markets tracked by CBRE include; Central London, Cambridge, Oxford, *Birmingham, Bristol, Aberdeen, *Edinburgh, *Glasgow, *Leeds, *Manchester, *Liverpool, Southampton

03

Offices

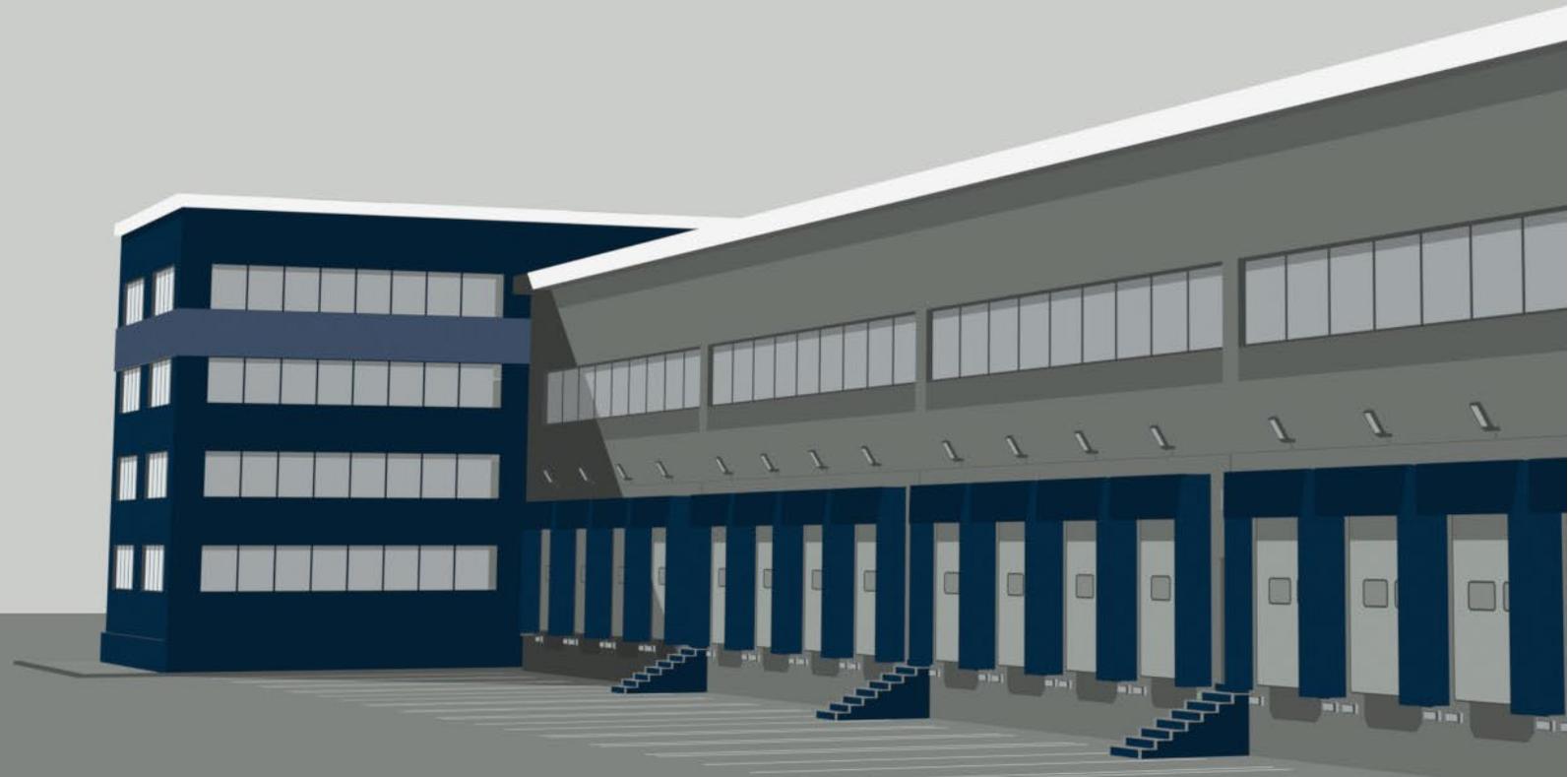
Trends to watch

- Take-up in 2026 is likely to reach similar levels to 2025, as demand will be constrained by a lack of availability of grade A space in prime locations in most UK markets.
- There is only 1.3 years of supply currently under construction across the whole of the UK. The pipeline will lease at a quicker rate than new constructions commence. As a result, this undersupply of grade A office space will compound in 2026.
- Tight grade A vacancy in core markets, as well as an increased focus on cost, will shift many large occupiers' requirements towards good quality space in more peripheral locations, ending the domination of 'flight to core'.
- Above-inflation rental growth is forecasted for all prime UK markets in 2026, although growth will be slower than in 2025.
- Over the course of the year, intense competition for scarce, grade A stock could push rents in some regional cities towards £55.00 psf at the top end of the market. This is the level needed to justify the start of a new speculative development cycle, which would help alleviate supply-side issues.



04

Logistics



Demand and vacancy rate forecast to stabilise in 2026

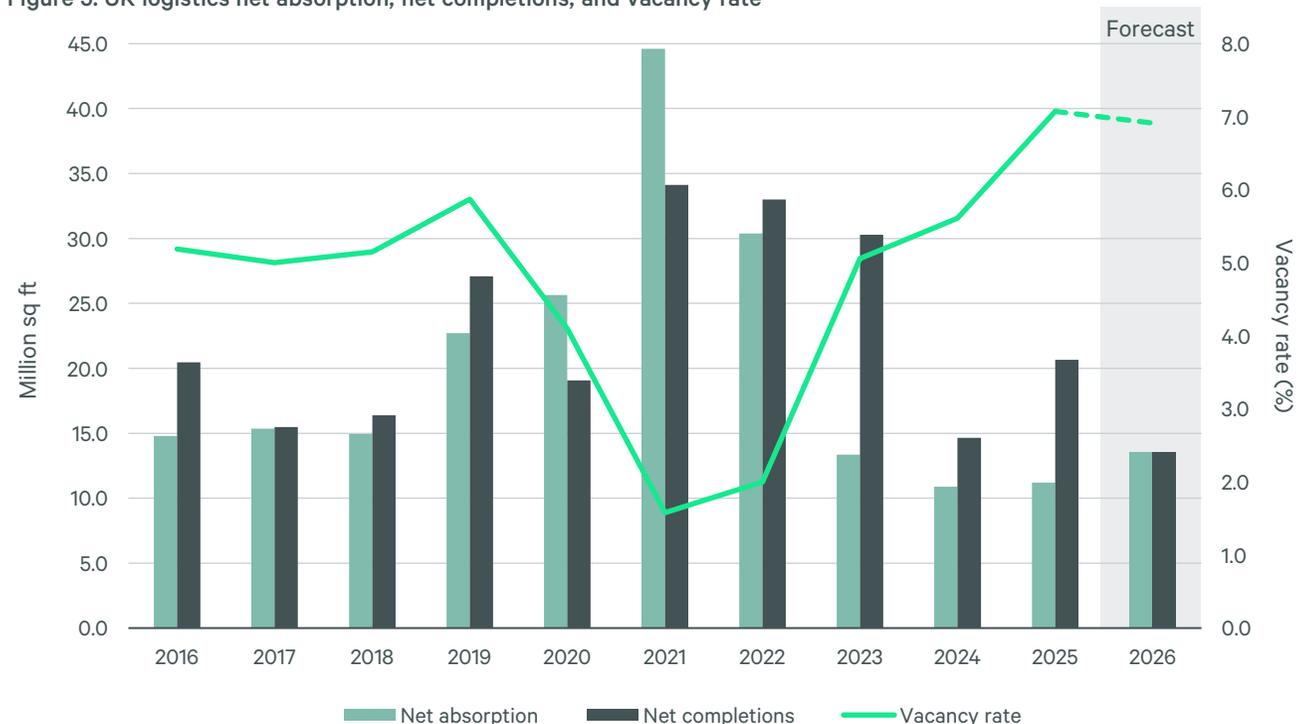
Strong occupier preference for newer space across the UK, with 70% of space leased in 2025 for new units.

UK logistics markets saw resilient demand in 2025 as leasing volumes increased by 22% year-on-year.

Net absorption also posted an uptick in 2025, totalling 11.4m sq ft. We expect occupier demand to remain consistent in 2026, with occupiers still looking to expand across Europe, including the UK. Regions in the UK that recorded the strongest net absorption in 2025 also saw strong rental growth, such as the North West and Yorkshire/North East. These markets have low vacancy and under construction levels, and we expect these regions to continue to see rents increase in 2026 as supply remains tight.

In 2025, net completions outstripped net absorption, with strong levels of speculative supply being delivered to the market over the year. In addition to completions, increases in secondhand availability pushed the UK vacancy rate up to 7.1% in Q4 2025. In 2026, net absorption is forecast to match net completions, and therefore we expect the vacancy rate to gradually fall. Most of the development pipeline in the UK is pre-committed build-to-suit space. The rate of decline will be affected by demand for secondhand space, and how much secondhand space is returned to the market as occupiers move into build-to-suit units.

Figure 5: UK logistics net absorption, net completions, and vacancy rate



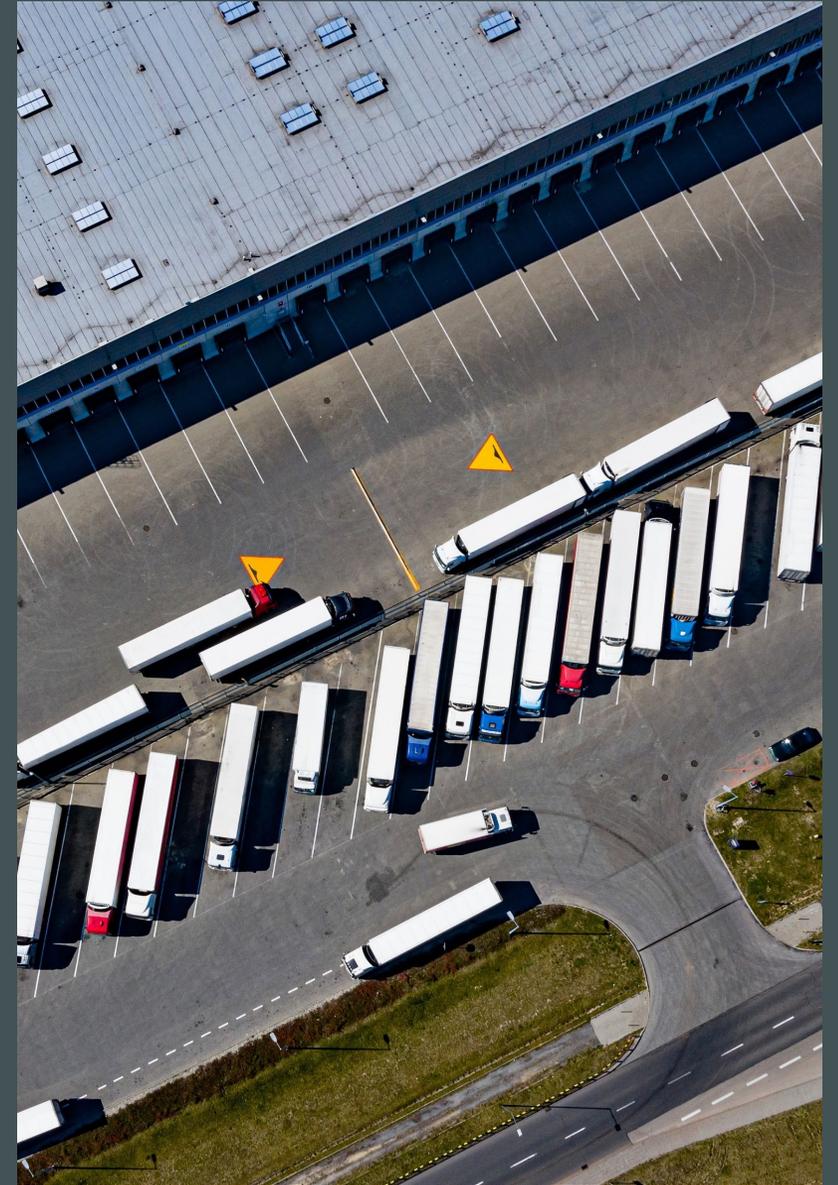
Source: CBRE Research

04

Logistics

Trends to watch

- In addition to take-up increasing in 2025, 12-month rolling net absorption across the UK is also higher than the level at the end of 2024, highlighting the resilience of the occupational market, despite economic uncertainty. We expect absorption to remain stable or slightly increase in 2026, as we anticipate interest rate cuts and falling inflation to boost business sentiment and consumer confidence.
- Leasing activity throughout 2025 was driven by third-party logistics (3PL)/distribution, and manufacturing and construction occupiers. This trend is set to continue in the near-term as the e-commerce penetration rate has moderated and 3PLs from other regions are expanding into European markets. Demand will be complemented by steady leasing activity from retail occupiers, particularly food and other retailers.
- The logistics development pipeline in the UK declined throughout 2025. This is set to continue in 2026 as space currently under construction completes. Most of the space under construction is for build-to-suit space, which, once completed, will increase occupied stock. However, as occupiers have been consolidating their portfolios, this could lead to more backfill vacancy.
- The UK logistics vacancy rate increased throughout 2025 to 7.1% in Q4 2025, driven predominantly by rising secondhand vacancy. In line with most of the development pipeline being pre-committed, we expect the vacancy rate to remain stable or trend slightly upward in early-2026, but then fall in the medium-term, depending on how much secondhand stock is returned to the market.



05

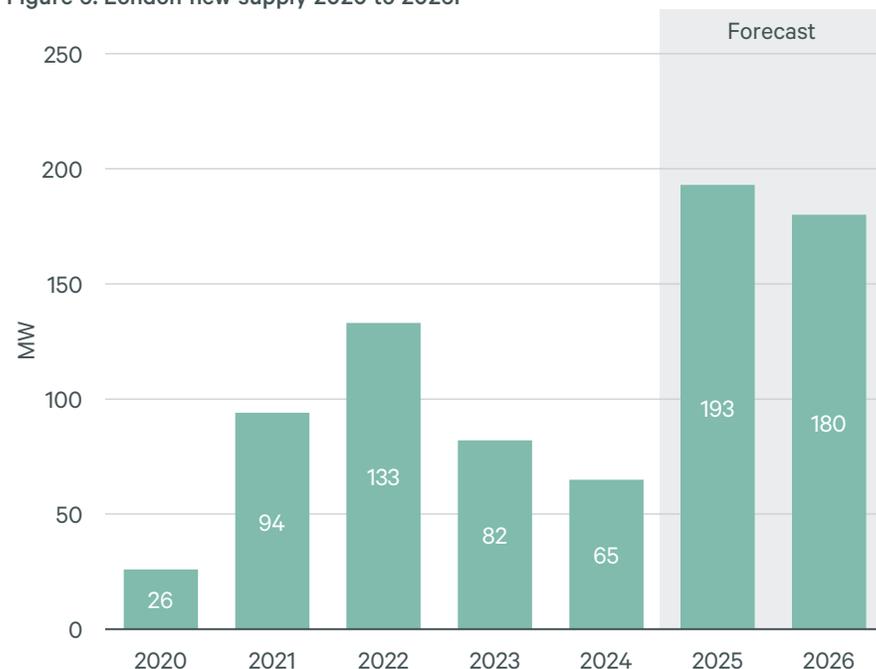
Data Centres



05 Data Centres

UK supply to continue its strong growth trajectory into 2026

Figure 6: London new supply 2020 to 2026F



Source: CBRE Research

*The London area includes developments to the East (Docklands & Essex), to the North (Oxfordshire & Hertfordshire) and to the West (Slough & Berkshire), and South (Croydon), among others. All these developments around the capital serve cloud AZs and users in the London region.

London's data centre market will grow rapidly in 2026. Supply growth in the London area* is forecast to be 180MW in 2026 compared with 193MW of new supply in 2025, which itself was a record increase.

Therefore, during 2025 and 2026, combined new supply to be delivered in London is forecast to be 373MW, more than double the amount for the previous two-year period which was 147MW. Even though the 2026 growth in new London supply will be less than in 2025, it will still be the second-highest on record.

The UK will continue to be the largest data centre market in Europe, and the London market the dominant cluster, accounting for over 80% of national supply. By contrast, after Newport and Cardiff (which account for 9%), the next largest UK market cluster, Manchester, accounts for only 2% of UK supply.

New data centres require more power to meet the high-density AI workloads for hyperscalers; with large-scale compute and storage needs. These hyperscalers, typically cloud providers, were responsible for the surge in take-up thus far. Although there was a 'pause' in some hyperscaler take-up during the first half of 2025, occupiers have since re-entered the market; a trend we expect to continue into 2026.

We forecast that London's take-up will continue at high volumes. In 2025, take-up exceeded new supply, and in 2026, take-up will again exceed new supply for the fifth year in succession.

Driving the surge in take-up in part is an emerging source of data centre demand: the neocloud. Neoclouds provide Graphic Processing Unit (GPU) compute services and require massive power, often with liquid cooling for AI workloads.

Despite the UK having the highest commercial electricity costs in Europe, neoclouds are housing workloads in London data centres to allow users to satisfy local data sovereignty concerns and maintain control over their data.

Like other European countries, the adoption of AI by UK enterprises is at an early stage. However, the adoption of AI by hyperscalers and neoclouds is already transforming the UK data centre sector. All large data centre campuses around London are now being planned with AI in mind. In 2026, new developments will need to cater for the higher power densities and the increased floor loadings required.

05

Data Centres

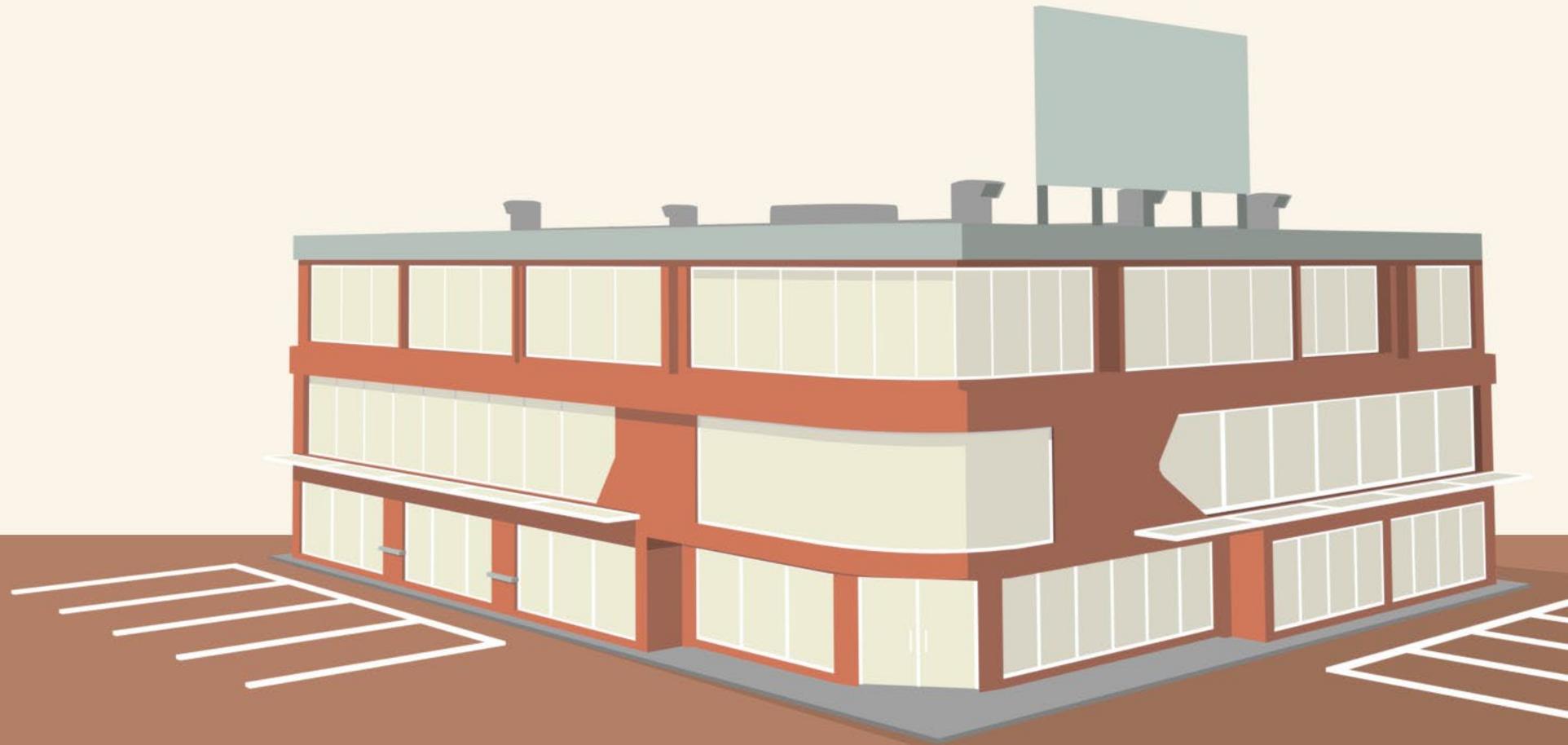
Trends to watch

- 2026 is expected to see the second-highest year on record for new data centre supply, with delivery forecast at 180MW, only slightly below the 2025 record.
- Take-up is forecast to continue to exceed new supply. During 2026, we expect take-up in London to reach 189MW, making 2026 the fifth consecutive year that take-up will be higher than new supply. This trend reflects the tightness of the London market as new supply is being rapidly absorbed. By the end of 2026, we project that the vacancy rate will be 5.9%, a record low.
- Part of the demand increase is due to the rise of the neocloud. Neoclouds enable a user such as a hyperscaler to source compute power quickly. When required urgently, capacity can be rented from a neocloud as a quicker alternative. Neoclouds are renting capacity in the London area to cater for users who wish to be close to the capital.
- Expansion of the boundaries of the London data centre market will continue in 2026. More data centre capacity will be built outside of the established clusters in the Slough and Hayes/Park Royal areas of London where cloud availability zones (AZs) are located, as power is limited. Instead, new data centres are planned in the areas adjacent to AZs, where power availability is greater, including North London, Oxfordshire, Hertfordshire, the London Docklands, and Essex.
- The UK Government is promoting the development of large data centres across the UK by introducing a series of AI growth zones. These locations include Culham (Oxfordshire), Teesside, Newcastle, and North and South Wales, with more yet to be announced. The intention is to incentivise data centre development in those areas to support capacity of up to 500MW per AI growth zone.



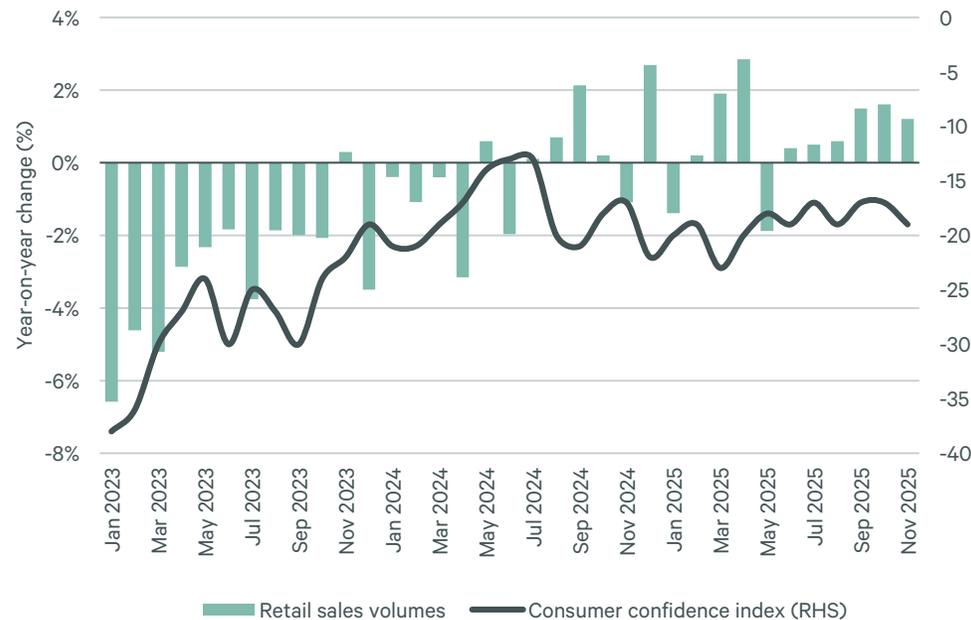
06

Retail



Continued retail recovery this year, but polarisation will remain

Figure 7: Retail sales volume and consumer confidence index
(January 2023–November 2025)



Source: ONS, GfK

The retail sector showed signs of resilience and recovery in 2025. While consumer confidence remains volatile due to cost of living concerns, more optimistic sentiment has translated into year-on-year retail sales growth since June, and we forecast this metric to increase by 1.9% in 2026.

The occupational market is expected to continue to perform well. Vacancy rates declined in 2025, with retail parks exhibiting the lowest vacancy rates at 6.1%* and major Central London streets at c.5% or below. In 2026 we expect there to be a continued shortage of supply in these sought after locations, while the top shopping centres are nearing full occupancy.

As a result, rents will further increase in top locations. Retailers will confront intense competition for space on major Central London streets. Retail parks have seen the strongest five-year rental growth (4.7%)**, and low levels of new supply, coupled with strong demand, will continue to place upward pressure on rents. While shopping centre rents remain below pre-pandemic levels, they experienced the greatest gain in prime rents in 2025, with further recovery expected this year**.

The new business rates multiplier system announced in the 2025 UK Budget is generally positive as it provides relief for many retail premises due to permanently reduced rates. However, larger stores with rateable values of more than £500,000 will face higher rates and increased operational costs.

The market will remain very polarised, with locations outside the top bracket continuing to face challenges. While a lack of availability in prime locations may be leading some brands to consider the next tier, higher vacancy levels need to reduce before rental growth will materialise. Non-flagship locations with underutilised space and lower footfall will continue to evolve and transition to alternative uses such as healthcare, leisure, and living, which could benefit the existing retail offering.

Christmas trading data will determine whether a cautiously positive sentiment continues into 2026. However, this year will see varying outcomes for retailers as they navigate data-led portfolio strategies, escalating operational costs, and the demand for experiential hubs.

Note:

*Green Street

**CBRE Average Prime Rent Index

06

Retail

Trends to watch

- Many retailers will continue to invest in their stores through experiential retail, as consumer preference for spending on experiences over material goods grows. Strategies include upgrading customer service, changing store formats, and hosting events to create community and drive loyalty. Owners and investors of multi-unit assets will continue to broaden tenant mix, incorporating food and beverage, leisure, healthcare, and wellness.
- Retailers are laser-focused on choosing the right location and retail format to support their strategy. We are currently tracking over 1,300 active requirements in Central London, equating to around 6 million sq ft.
- Brick-and-mortar stores will remain the dominant sales channel, however, offline and online will become more seamlessly integrated. To support this shift, retailers are investing in store infrastructure to accommodate fulfilment processes such as click-and-collect and in-store returns for online purchases. The latter trend is partly driven by more retailers charging for online returns to reduce processing costs. These integrated channels could drive more footfall and benefit in-store sales.
- The Government has confirmed withdrawal of customs duty relief for goods valued at £135 or less entering the UK. While full implementation is not expected before 2029, this should ensure a level playing field for UK retailers and remove tax disadvantages.
- Market volatility and affordability will remain an issue for retailers driven by economic uncertainty. Many multi-site retailers will continue to optimise their portfolios through regears, refits, and rightsizing in key markets. With rising operational costs, including higher minimum wages, there will be a focus on automation to boost efficiency and reduce long-term costs.



07

Living



Build-to-Rent investment volumes will remain robust in 2026

The macroeconomic backdrop will be supportive for the UK living sector in 2026. Inflation is forecast to fall back towards the 2% target, enabling the base rate to be cut to 3.5% by late 2026. This will translate to cheaper debt, which will restore accretive financing and bolster investment.

Supply and demand pressures remain acute, though this rebalanced in 2025 as affordability kept tenants in situ. However, the introduction of Assured Periodic Tenancies in May 2026 may increase demand and tenant mobility. Private landlords have continued to exit the sector, and viability challenges have inhibited Build-to-Rent (BTR) supply, particularly in London. The BTR pipeline weakened through 2025, with Q3 data showing a 13% year-on-year fall in construction volumes, with a 29% decrease in London.

BTR investment will remain robust in 2026. Single family BTR will continue to account for a large share of activity, with government housing ambitions creating new opportunities. Multifamily investment will remain focused on stabilised assets in early 2026, with forward-funding deals re-emerging later in the year as viability pressures ease. Purpose-Built Student Accommodation (PBSA) will mirror these trends. Portfolio transactions could increase across the 2026/27 academic cycle, supported by continued appetite for ‘clean and green’ income-producing assets. Core capital is expected to return selectively from mid-2026.

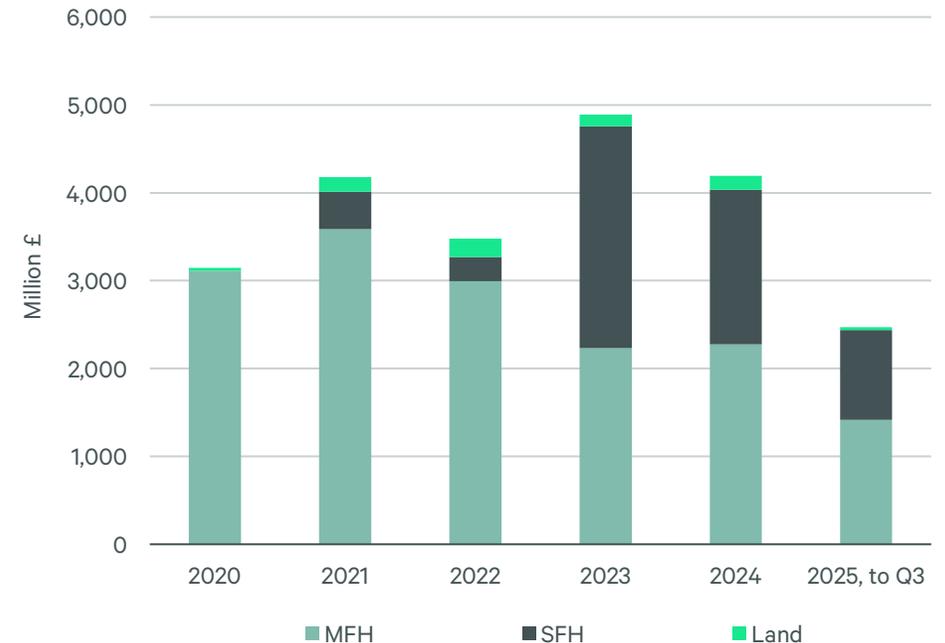
Development activity in the affordable housing sector is expected to increase in 2026. The £39bn Social and Affordable Homes Programme (SAHP), a 10-year rent settlement of CPI+1, a consultation on introducing rent convergence, and the introduction of a National Housing Bank with £16bn of public investment will all support affordable housing delivery.

However, Registered Providers (RPs) will face rising refinancing costs as legacy bonds roll from 2–3% coupons to c. 6–7%. This will drive more joint ventures with for-profit providers, who will also continue to acquire secondhand stock from traditional registered providers.

Operational performance remains robust, with BTR occupancy averaging c. 97% and income growth to persist into 2026. Although some single family schemes have had lease-up challenges, these have been highly scheme-specific and will improve as developments mature. In PBSA, operators are recalibrating strategies following two exceptional rental cycles to promote higher occupancy rates.

Rental growth will remain positive but continue to decelerate, shaped by moderating inflation and stretched affordability. Yields are expected to be stable in 2026 but subject to transaction activity, there is the potential for yield compression towards the end of the year. This, alongside rental growth, will contribute to capital value growth.

Figure 8: BTR investment by transaction type



Source: CBRE

07

Living

Trends to watch

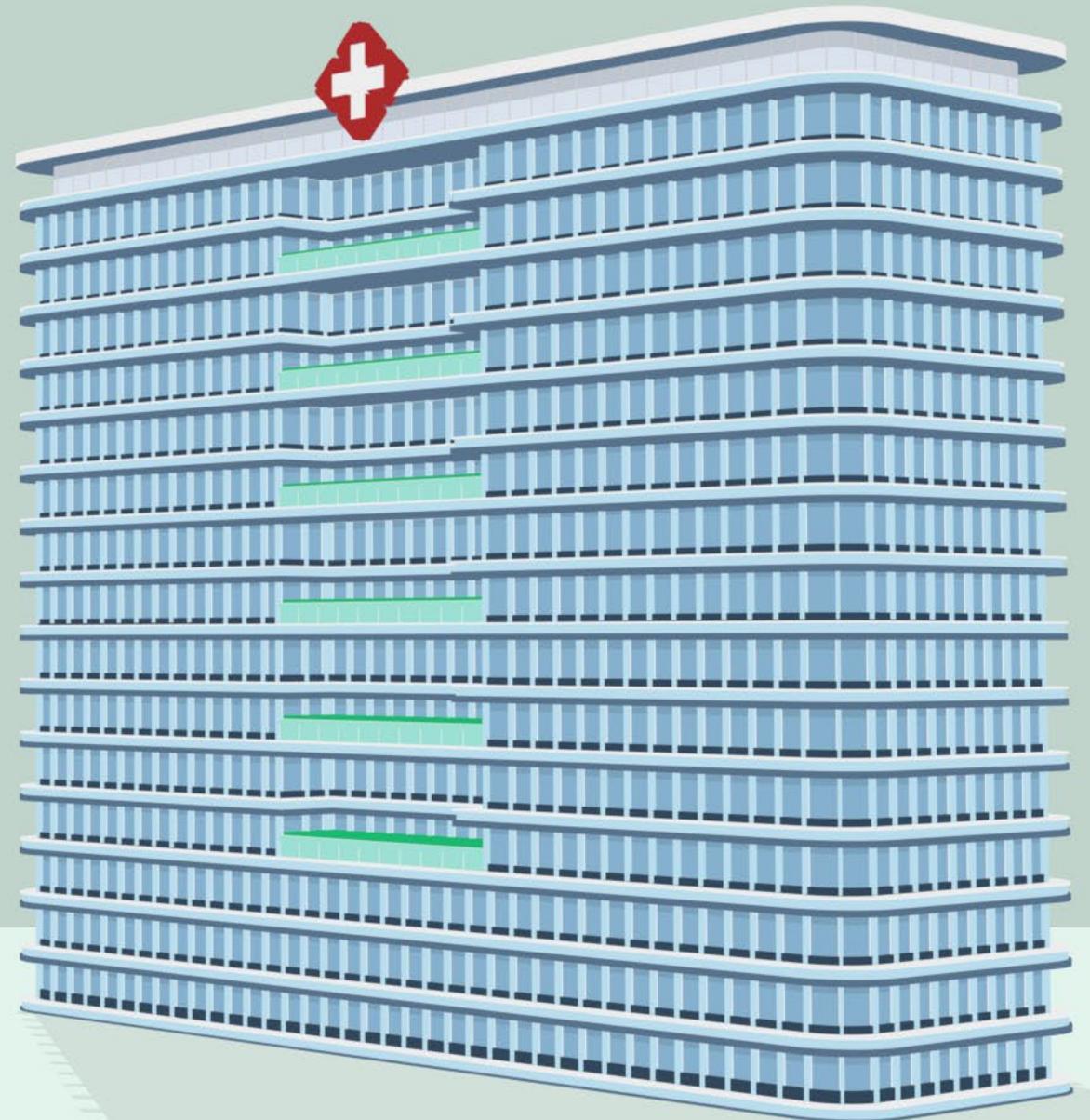
- Key provisions of the Renters' Rights Act will come into effect in May. Broadly, institutional investors and operators are already compliant with these measures. Anecdotally, some investors are earmarking funds to cover any costs from potential rent challenges, but this is viewed as prudent housekeeping rather than a material risk.
- Although the PBSA sector is protected from the Renters' Rights Act, it faces specific headwinds stemming from the Immigration White Paper published in May 2025. The proposal to introduce a 6% levy on fees for international students could dampen enrolment in the 2026/27 cycle, with the impact likely to fall disproportionately on lower-tier universities.
- The Government has also acknowledged the challenges that the Building Safety Act, particularly the Gateway process, has brought to housing delivery. In response, it has committed to improving the efficiency of the Gateway 2 stage. Streamlining this process should strengthen development viability and support a healthier pipeline in 2026.
- The launch of the Social and Affordable Homes Programme will mark a turning point for the sector in 2026 but the impact will not be immediate. Bidding opens in February, but the process from grant application to site start is extensive, so positive momentum is only likely to emerge towards the end of the year. A challenge lies in the requirement that 60% of homes delivered through the programme must be Social Rent – a tenure with the greatest viability gap.
- Planning reform will also be pivotal in 2026. The new National Planning Policy Framework draft looks to introduce a 'default yes' for developments around train stations among other reforms. The affordable home requirement in London has also been temporarily reduced. Collectively, these measures could have a material impact on development activity across the living sector throughout 2026.



08

Operational Real Estate

(Healthcare, Hotels, Leisure, Pubs,
Self Storage, Roadside & Automotive)



Healthcare activity shapes OPRE 2026 outlook

Investment activity in the UK healthcare sector saw a significant uptick in 2025, with transaction volumes reaching £11.2bn, largely driven by a landmark £5.2bn deal in Q4 with the acquisition of Barchester by a US REIT.

US REITs have returned to the market in recent years, seeking greater operational risk and leveraging RIDEA structures, a framework introduced in US legislation which allows REITs to participate in the operating income of healthcare real estate rather than being limited to fixed rental income under triple-net leases. We expect that this trend will continue in 2026 with the influx of capital having notably strengthened market sentiment.

Healthcare activity will remain concentrated within the elderly care sector, with strong competition from an expanding pool of investors who are exceeding the number of sellers. We anticipate significant corporate activity in the sector, and as the operator market remains highly fragmented, consolidation is likely to accelerate.

New sources of capital entering OPRE have identified healthcare as the initial platform for expansion, but we expect hotels, hospitality, and infrastructure-like sectors to also benefit in 2026 from new waves of infrastructure, insurance, and overseas capital, as well as new sources of debt.

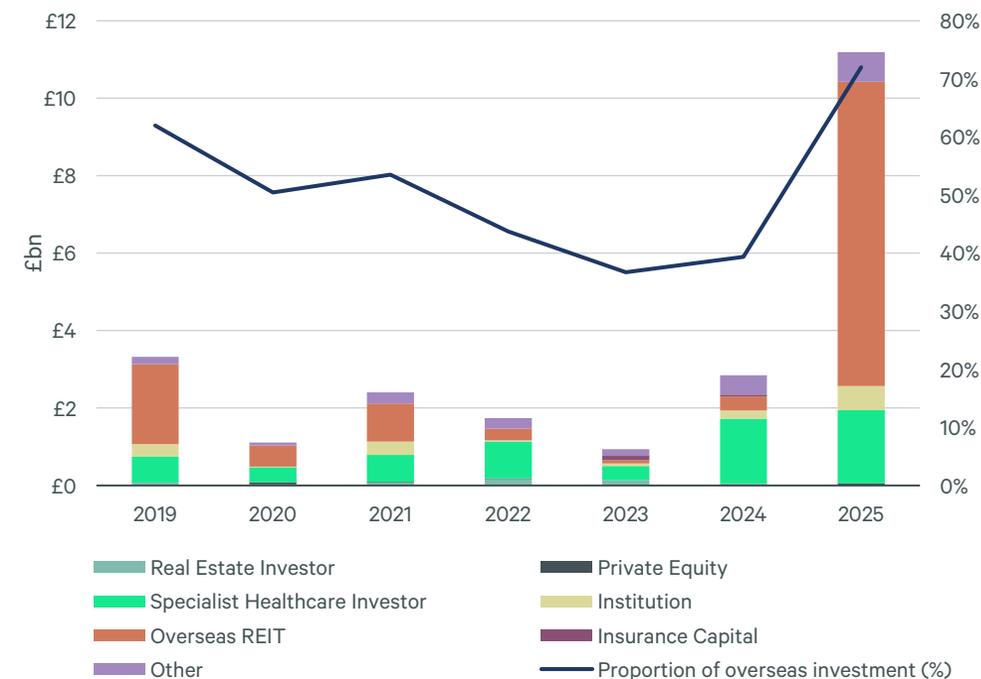
Private-pay elderly care operators have been able to protect margins from rising operational costs by increasing fees. In 2026, operators face the challenge of managing ongoing cost pressures without risking further fee increases slowing occupancy growth.

High construction costs and a challenging planning environment are likely to continue to restrict the new development pipeline, creating opportunities to deploy capital towards refurbishing and upgrading existing properties.

The [NHS's 10 Year Plan](#) reinforced the ongoing policy shift towards greater public-private integration and outpatient care. The Government recently committed to establishing 250 new neighbourhood health centres. Currently, the independent sector delivers 10% of elective NHS care but there is set to be an increase in the utilisation of private sector capacity for elective care, diagnostics, and rehabilitation.

In this environment, primary care facilities and private hospitals will play a greater role in the UK's care delivery, which we believe will generate investment prospects. Local government pension funds are seeking to deploy further capital into primary care, while recapitalisation activity within these sectors has risen and is expected to continue in 2026.

Figure 9: Healthcare investment volumes by buyer type



Source: CBRE Research

08
OPRE

Trends to watch

- The convergence between real estate and infrastructure is gaining momentum. Infrastructure investors are moving away from a defined asset class and focusing on assets which have certain characteristics: high barriers to entry, income durability, index linkage, and high replacement costs. For example, UK and European marina markets, offering strong infrastructure credentials, have become a highly sought after growth area for institutional and infrastructure capital.
- In the hotels sector, we anticipate strong demand from international visitors, supported by year-on-year increases, alongside stable domestic overnight stays, which will underpin stability in RevPAR growth. This year, we expect a number of large portfolios to transact in UK regional markets. We also foresee several single asset transactions in the mid-cap regional markets as portfolio owners seek to consolidate their recent large-scale acquisitions by disposing of residual assets.
- In urban leisure, operators remain challenged by rising costs. However, cinemas are expected to sustain their recovery and return to profitability, which has reignited interest in the wider leisure park sector. While double-digit yields persist, renewed confidence is evident through ongoing discussions around M&A in the sector.
- Pub operators are beginning to restructure their portfolios as they reassess operating models in response to rising costs and shifting consumer trends. We anticipate steady growth in trade from community wet-led pubs and for city centre locations to benefit as return to office continues to rise. Conversely, reduced sales volumes in mid-market food-led pubs is likely to result in the revaluation of some models.
- Self storage revenues are expected to continue trending positively, supported by ongoing market undersupply. However, many UK stores will be impacted by business rate increases from April 2026 which will exert pressure on margins. The 2026 investment outlook is promising, with significant platform level M&A opportunities emerging and growing institutional interest in joint ventures and third-party management contract structures.



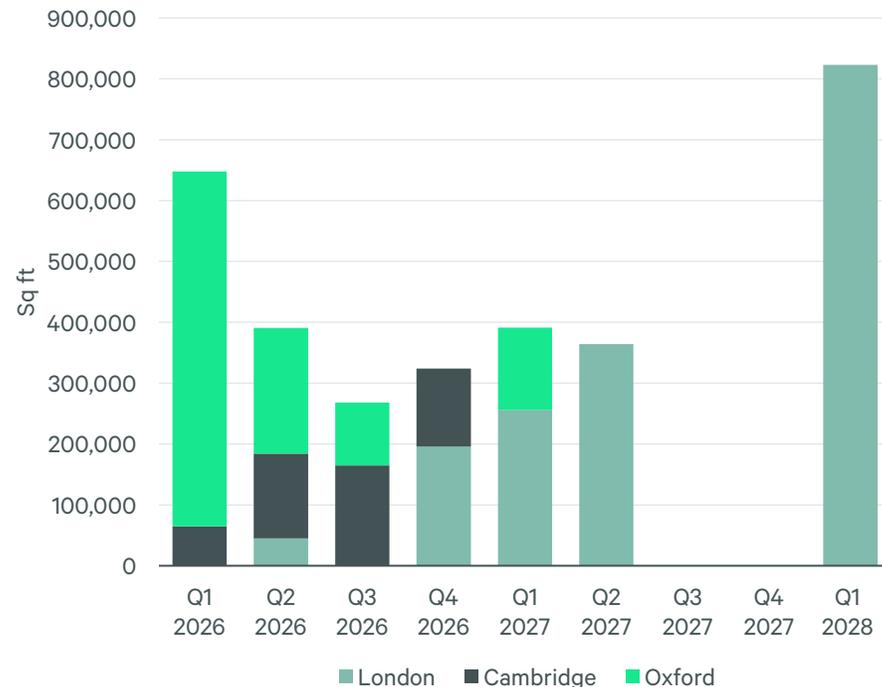
09

Life Sciences



Resilient foundations drive UK life sciences toward broader growth in 2026

Figure 10: UK Life Sciences development pipeline, under construction



Source: CBRE Research

The UK life sciences sector enters 2026 from a position of resilience. While 2025 was characterised by an ever-moving policy, funding, and macro environment, the underlying fundamentals of the sector remained firmly intact.

Scientific output continued to grow, and the UK’s universities and research hospitals maintained their global influence. Despite the headlines, these foundations demonstrate the strength of the UK’s innovation ecosystem.

Venture capital investment closed 2025 at £3.37bn, representing a -12% change on the previous year. Although a moderation from the highs of 2021–2022, this level of investment still outperforms long-term historical averages and signals sustained investor confidence in the UK’s scientific base. The Government’s 2025 UK Budget further reinforced this outlook by introducing measures to support scaling, high-growth companies, and expanding capital flows into deep-tech and R&D-intensive sectors. In parallel, indications that the UK may adjust drug-pricing dynamics point to a potential reset in the relationship between government and pharma, which could improve investor appetite and commercial engagement.

As we move into 2026, the market is broadening beyond traditional wet-lab life sciences into a wider innovation economy. Adjacent fields like AI-driven drug discovery, quantum technologies, advanced materials, and synthetic biology are increasingly shaping demand.

This convergence is shifting occupier requirements toward more flexible, hybrid R&D space that blends offices, engineering zones, and lab-enabled environments.

There was a modest slowdown in take-up in 2025, though major transactions such as the Ellison Institute highlight that demand for high-quality, well-located space remains strong. We expect activity to increase in 2026, particularly in Cambridge, where several deferred requirements are likely to crystallise. Growth from adjacent sectors will further diversify demand across the Golden Triangle.

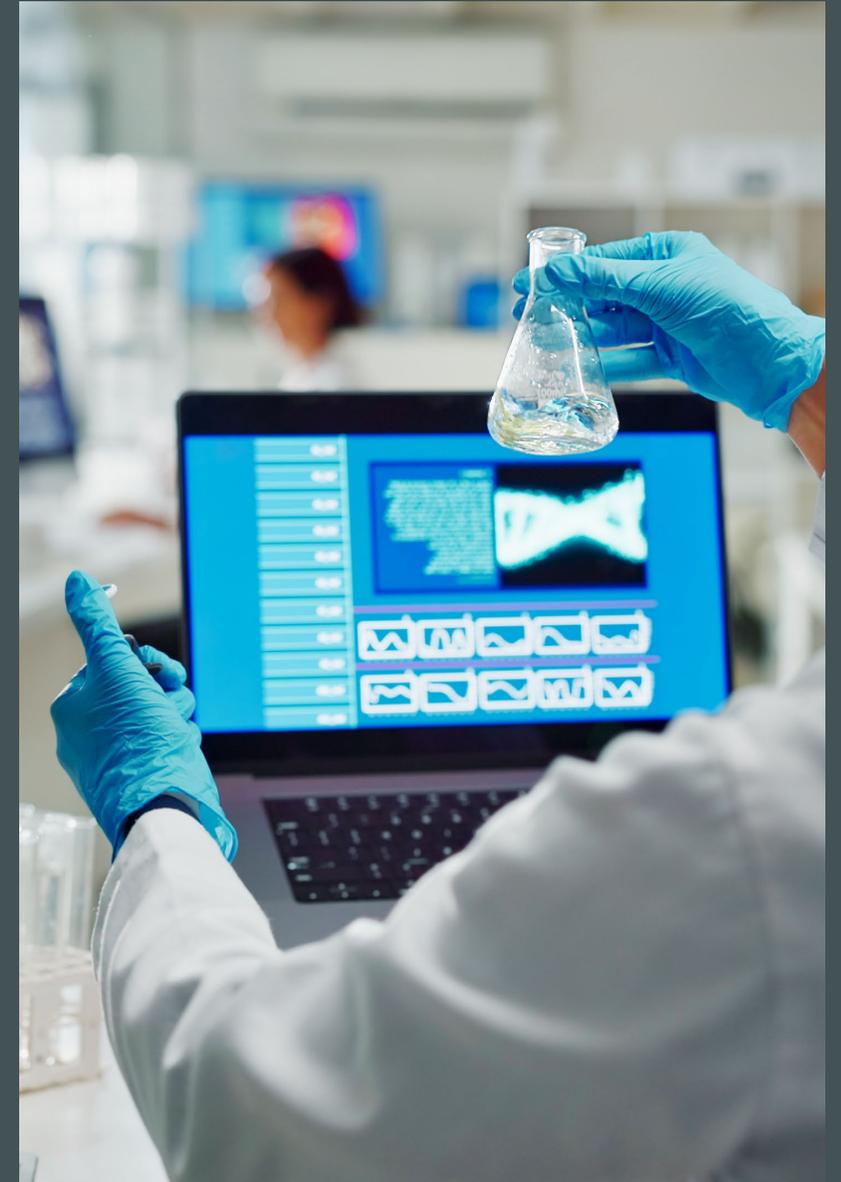
On the supply side, the Golden Triangle highlights long-term confidence, though delivery uncertainty is rising due to construction costs, financing constraints, and evolving occupier requirements. There is a pipeline of 3.3m sq ft currently under construction and a further 6.5m sq ft has planning approval, with the remainder still in early-stage proposals. Capital markets are expected to favour stabilised income over speculative development, and 2026 is likely to mark the beginning of a recapitalisation cycle, as developers reassess timelines, seek new partners, or consider asset disposals.

09

Life Sciences

Trends to watch

- Life sciences activity is increasingly extending beyond traditional CL2 lab space. Growth in adjacent sectors such as AI-driven drug discovery, quantum technologies, advanced materials, and synthetic biology is driving demand for hybrid R&D environments, as neighbouring innovation ecosystems continue to scale.
- We expect rents to stabilise with more high-quality lab and office space coming online, reflecting a balance between supply expansion and sustained occupier demand for prime locations.
- Increasing take-up in key clusters as occupational activity is likely to pick up, particularly in Cambridge, where major occupiers are advancing searches that were deferred over the past 12–18 months. This trend is expected to reinforce the Golden Triangle as the UK's primary life sciences hub.
- Capital markets remain focused on stabilised, income-producing assets, with investors prioritising secure cash flows over speculative development. The peak of the capital cycle occurred in 2021, when the majority of capital was deployed, and many developers have since held assets through the market downturn. As financing conditions improve, 2026 is expected to see a recapitalisation phase, with owners extending hold periods, introducing new equity partners, or selectively bringing assets to market.
- Approximately 3.3m sq ft of life sciences space is under construction and 6.5m sq ft has planning approval. Rising construction costs, financing constraints, and evolving occupier requirements are prompting developers to reassess phasing, specifications, and pre-letting thresholds to ensure viability.



Contacts

UK Research

Tasos Vezyridis

Executive Director
Head of Research, UK&I and Continental Europe
tasos.vezyridis@cbre.com

Ruth Hollies

Head of European Forecasting
ruth.hollies@cbre.com

Steven Devaney

Senior Director, UK Research
steven.devaney@cbre.com

Simon Brown

Head of UK Office Research
simond.brown@cbre.com

Corinne Vrensen

Senior Analyst, UK Office Research
corinne.vrensen@cbre.com

Gemma Parfitt

Senior Analyst, UK Retail Research
gemma.parfitt@cbre.com

Nick Baring

Associate Director, UK Research
nick.baring@cbre.com

Scott Cabot

Director, Head of UK Living Research
scott.cabot@cbre.com

Lily Clark

Senior Analyst, UK OPRE Research
lily.clark@cbre.com

© Copyright 2026. All rights reserved. This report has been prepared in good faith, based on CBRE's current anecdotal and evidence based views of the commercial real estate market. Although CBRE believes its views reflect market conditions on the date of this presentation, they are subject to significant uncertainties and contingencies, many of which are beyond CBRE's control. In addition, many of CBRE's views are opinion and/or projections based on CBRE's subjective analyses of current market circumstances. Other firms may have different opinions, projections and analyses, and actual market conditions in the future may cause CBRE's current views to later be incorrect. CBRE has no obligation to update its views herein if its opinions, projections, analyses or market circumstances later change.

Nothing in this report should be construed as an indicator of the future performance of CBRE's securities or of the performance of any other company's securities. You should not purchase or sell securities—of CBRE or any other company—based on the views herein. CBRE disclaims all liability for securities purchased or sold based on information herein, and by viewing this report, you waive all claims against CBRE as well as against CBRE's affiliates, officers, directors, employees, agents, advisers and representatives arising out of the accuracy, completeness, adequacy or your use of the information herein.

Contacts

Global Research Leadership

Henry Chin, Ph.D.

Global Head of Research

henry.chin@cbre.com

Ada Choi, CFA

Head of Research, Asia Pacific

ada.choi@cbre.com

Tasos Vezyridis

Executive Director

Head of Research, UK&I and Continental Europe

tasos.vezyridis@cbre.com

Dennis Schoenmaker Ph.D.

Global Head of Forecasting & Strategic Insight

dennis.schoenmaker@cbre.com

Julie Whelan

Global Head of Occupier Thought Leadership

& Research Consulting

julie.whelan@cbre.com

Kasia Dziejulska

Head of Global Operations, Global Research

kasia.dziejulska@cbre.com

© Copyright 2026. All rights reserved. This report has been prepared in good faith, based on CBRE's current anecdotal and evidence based views of the commercial real estate market. Although CBRE believes its views reflect market conditions on the date of this presentation, they are subject to significant uncertainties and contingencies, many of which are beyond CBRE's control. In addition, many of CBRE's views are opinion and/or projections based on CBRE's subjective analyses of current market circumstances. Other firms may have different opinions, projections and analyses, and actual market conditions in the future may cause CBRE's current views to later be incorrect. CBRE has no obligation to update its views herein if its opinions, projections, analyses or market circumstances later change.

Nothing in this report should be construed as an indicator of the future performance of CBRE's securities or of the performance of any other company's securities. You should not purchase or sell securities—of CBRE or any other company—based on the views herein. CBRE disclaims all liability for securities purchased or sold based on information herein, and by viewing this report, you waive all claims against CBRE as well as against CBRE's affiliates, officers, directors, employees, agents, advisers and representatives arising out of the accuracy, completeness, adequacy or your use of the information herein.

Contacts

Business Contacts

Colin Thomasson

Head of UK Investment Properties
colin.thomasson@cbre.com

Lee Bruce

Head of UK Valuation & Advisory Services
lee.bruce@cbre.com

Rob Madden

Head of UK Leasing
rob.madden@cbre.com

Joe Rigby

Head of North, UK
joe.rigby@cbre.com

Andy Monighan

Head of London Investor Leasing
and Occupier Brokerage
andrew.monighan@cbre.com

Paul Farrow

Head of UK Industrial & Logistics
paul.farrow@cbre.com

Graham Barr

Head of UK Retail
graham.barr@cbre.com

Jason Hardman

Head of UK Living Sector
jason.hardman@cbre.com

Sharief Ibrahim

Head of UK Residential Agency
sharief.ibrahim@cbre.com

© Copyright 2026. All rights reserved. This report has been prepared in good faith, based on CBRE's current anecdotal and evidence based views of the commercial real estate market. Although CBRE believes its views reflect market conditions on the date of this presentation, they are subject to significant uncertainties and contingencies, many of which are beyond CBRE's control. In addition, many of CBRE's views are opinion and/or projections based on CBRE's subjective analyses of current market circumstances. Other firms may have different opinions, projections and analyses, and actual market conditions in the future may cause CBRE's current views to later be incorrect. CBRE has no obligation to update its views herein if its opinions, projections, analyses or market circumstances later change.

Nothing in this report should be construed as an indicator of the future performance of CBRE's securities or of the performance of any other company's securities. You should not purchase or sell securities—of CBRE or any other company—based on the views herein. CBRE disclaims all liability for securities purchased or sold based on information herein, and by viewing this report, you waive all claims against CBRE as well as against CBRE's affiliates, officers, directors, employees, agents, advisers and representatives arising out of the accuracy, completeness, adequacy or your use of the information herein.

Contacts

Business Contacts

Andrew Saunderson

Head of UK Living Capital Markets

andrew.saunderson@cbre.com

Justin Carty

Executive Director, Affordable Housing

justin.carty@cbre.com

Tim Pankhurst

Head of Living Sector Valuation

tim.pankhurst@cbre.com

Tom Morgan

Head of UK Operational Real Estate

tom.morgan@cbre.com

Andrew Jay

Head of Europe Data Centre Solutions

Advisory Services

andrew.jay@cbre.com

Kevin Restivo

Head of Data Centre Research

Advisory Services, Europe

kevin.restivo@cbre.com

Keith Breed

Associate Director, Data Centre Solutions,

Advisory Services, Europe

keith.breed@cbre.com

Joanne Henderson

Head of Life Sciences, Europe

joanne.henderson@cbre.com

Morgan Davies

Senior Analyst, Life Sciences, UK & Europe

morgan.davies@cbre.com

© Copyright 2026. All rights reserved. This report has been prepared in good faith, based on CBRE's current anecdotal and evidence based views of the commercial real estate market. Although CBRE believes its views reflect market conditions on the date of this presentation, they are subject to significant uncertainties and contingencies, many of which are beyond CBRE's control. In addition, many of CBRE's views are opinion and/or projections based on CBRE's subjective analyses of current market circumstances. Other firms may have different opinions, projections and analyses, and actual market conditions in the future may cause CBRE's current views to later be incorrect. CBRE has no obligation to update its views herein if its opinions, projections, analyses or market circumstances later change.

Nothing in this report should be construed as an indicator of the future performance of CBRE's securities or of the performance of any other company's securities. You should not purchase or sell securities—of CBRE or any other company—based on the views herein. CBRE disclaims all liability for securities purchased or sold based on information herein, and by viewing this report, you waive all claims against CBRE as well as against CBRE's affiliates, officers, directors, employees, agents, advisers and representatives arising out of the accuracy, completeness, adequacy or your use of the information herein.