



savills

SPOTLIGHT

# UK CROSS SECTOR OUTLOOK 2026

RESIDENTIAL - COMMERCIAL - RURAL



RESEARCH

# Introduction



**RICHARD REES**

MANAGING DIRECTOR, UNITED KINGDOM

+44 20 7016 3726  
rrees@savills.com

We've previously said that the coming year will be better than the last, and we remain confident that this will hold true for 2026.

2025 was, in many respects, a frustrating year ending with a series of kite-flying in the lead up to the Autumn Budget. Yet, through this turbulence, the UK real estate market has shown remarkable resilience. That resilience underpins a sense of realistic optimism as we enter the next phase of the cycle.

Global dynamics will continue to shape our outlook. The stability of the US, alongside tensions involving China and Russia, will be the most significant drivers influencing UK real estate over the next 12-24 months. If geopolitical stress eases, interest rates and inflation are likely to fall, creating a calmer environment for decision making. After years of constant strain, confidence matters – and confidence is built not only on real estate fundamentals but also on the macroeconomic and political backdrop.

For 2026, the story on interest rates is encouraging: expectations point to a 50-basis-point reduction, bringing rates closer to 3%. This shift, combined with narrowing bid-ask spreads and greater

realism among vendors, suggests a market ready for more activity. Residual pent-up demand in residential remains, rural property continues to attract strong interest, and scarcity in prime offices, retail, and industrial space is driving rental growth.

Challenges do persist. Development viability is still under pressure, though signs of adaptability and lower financing costs offer some hope. ESG priorities have taken somewhat of a back seat amid global uncertainty, but sustainability and diversity remain essential for the industry and for Savills. We are committed to supporting these principles as the market evolves.

As we move into 2026, confidence in UK real estate is layered – shaped by both micro-market factors and global forces alike. At Savills, we believe this year offers the prospect of renewed momentum and positivity. With resilience, adaptability, and a clearer economic outlook, the sector is poised for a better year ahead.

## CONTENTS

### 01

#### Comparative Returns

Page 2

### 02

#### Commercial

Pages 3-6

### 03

#### Rural

Pages 7-12

### 04

#### Residential

Pages 13-16

### 05

#### Living Sectors

Pages 17-20



# Comparative returns

Steady strides, not leaps as UK property returns find their rhythm.

Overall, our outlook for the next five years is slightly more positive than it was twelve months ago, with the average total return forecast rising from 7.4% per annum to 7.8% per annum. The importance of income in delivering the return has risen across the board, primarily due to the expectation that the pace of interest rate tightening will slow and that the transmission of base rate cuts to the bond market will be slower than we were expecting last year.

The North of the UK will continue to deliver a better total return for residential investors than the South, something that is typical in this stage of the housing cycle. In the commercial property sectors it is those that deliver the highest income returns that will see the best total returns. We expect to see more institutional interest in shopping centres in particular for their strong income return and limited risk of being replaced by better schemes if they are already dominant.

All of the rural sectors are forecast to see slightly stronger capital value growth over the next five years than we were forecasting last year as the economic recovery gathers pace from 2027.

Generally, we are predicting that development viability will remain challenging, and this will lead to shortages of prime assets in most locations. This will ensure that rental growth will generally be sustained at its current higher than normal levels.

Overall, we are forecasting a slightly more muted recovery over the next five years than we have seen from previous downturns, but still a steady improvement in both volumes and values. The total returns on offer will be broadly in line with the long-run average and this should ensure that property remains a key part of many investors' portfolios.

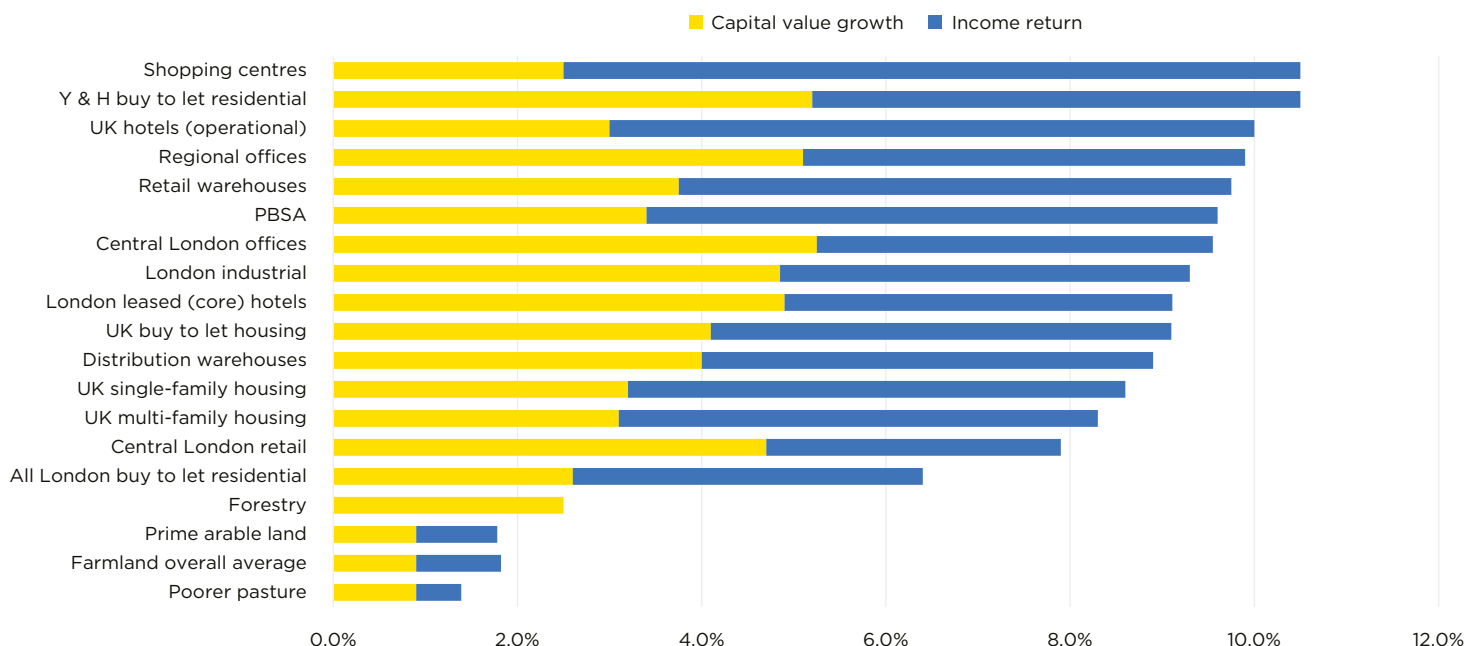


## 7.8%

**FORECAST TOTAL RETURNS  
PER ANNUM KEEP REAL  
ESTATE COMPETITIVE  
WITH EQUITIES AND GILTS,  
REINFORCING ITS ROLE AS  
A PORTFOLIO CORNERSTONE**



**FIGURE 1: COMPARATIVE RETURNS % PA 2026-2030**



Source: Savills Research

# Commercial



**MAT OAKLEY**  
HEAD OF COMMERCIAL RESEARCH

As 2026 begins, uncertainty lingers and investor strategies evolve. Will supply constraints sustain rental growth, and which sectors could surprise on pricing? Mat Oakley explains what is set to shape commercial property's next chapter.

## KEY TAKEAWAYS

**01**

UK commercial property turnover is forecast to reach £55bn in 2026, with volumes up around 10%.

**02**

Prime yields are forecast to harden by 25–50bps, far below the 100+bps shifts seen in previous cycles, reflecting ongoing caution.

**03**

Returns over the next five years are projected at 8–10% pa, driven primarily by income rather than capital growth.

## The foundations of the commercial real estate recovery are solid, but construction is slow

This time last year we were looking ahead to a new US presidency and suggesting that the first Budget of the new Labour government in the UK had provided some clarity on the outlook. Somewhat more perceptively, we commented that base rate cuts might not feed into a recovery in property yields given the high level of uncertainty surrounding the domestic and global outlooks. Twelve months later, and much the same situation prevails, with the latest UK Budget reducing some short-term uncertainty but raising it for the medium term, and US-driven market uncertainty becoming the norm.

In the UK commercial property market, the occupational story remains robust, based around low levels of development activity and normal levels of tenant demand. This has continued to deliver higher than normal prime rental growth across all sectors. However, the last year has shown us how selective tenants are on location, with prime buildings in secondary spots proving much harder to let than would be normal in this phase of the property cycle.

Another area where the cycle is clearly different from that of any of the recoveries in the last thirty years is the lack of distress in the investment market. For policy makers, this is a good thing, and much of this stability can be attributed to the changes that were put in place to lending practices after the Global Financial Crisis. However, for the investment market, the lack of distressed sales has created a target-poor environment for the opportunistic buyers who typically kick off any recovery phase of the cycle. This, combined with the less than attractive spread between some property yields and the all-in cost of debt, goes a long way to explaining why the recovery in investment volumes and prices has been more muted than normal.



The occupational story remains robust, based around low levels of development activity and normal levels of tenant demand.

## Has the government created an environment for growth?

The last six months has seen a high degree of scepticism in some quarters about whether the UK is a growth-friendly environment. This speculation is one of the reasons why the risk-free rate in the UK has gone in the opposite direction to the policy rate, in turn limiting the potential for a recovery in commercial property yields. This speculation rose to fever pitch before the November Budget. But we believe that there are strong reasons why it should subside in 2026, and why some of the barbs aimed at the UK are less than fair.

One of the less exciting, but in our view most important, changes in the latest Budget was the commitment to having only one fiscal event per year rather than two. This puts the UK in line with its peers and removes one of the short-term reasons to delay decision making on transactions.

There is no doubt that our economy has its challenges, and we expect that economic growth will be weaker in 2026 than 2025, but this is not unique to the UK. Our peers across Europe and Asia are equally challenged by demographic change and weak productivity growth. Even when we turn to things that the Chancellor can affect, the story isn't particularly negative, with the UK having the second lowest debt to GDP ratio in the G7.

2026 should see a rising recognition that the UK is in a comparatively good place, and the immediate reaction of the bond markets to the latest Budget suggests that they are happy that it was fiscally responsible. However, it is not all rosy in the garden, and the back-ending of many of the tax rises and the harshest of the spending control suggests that the Chancellor is hoping for more economic growth than the OBR is predicting.

Our view is that the government can only create an environment for growth, rather than deliver the growth itself, and that the less uncertainty there is around future government policy the better it is for tenants and investors. While the May local elections will undoubtedly lead to feverish speculation around the incumbent government's future, we believe that the outlook is more stable than it was a year ago and that businesses and investors should be more capable of making balanced decisions than they were six or 12 months ago.



## Will weaker economic growth in 2026 feed through into a weaker occupational story?

Logically the answer to this question should be 'yes', and it's hard to argue that the fiscally-induced slowdown in the UK will not lead through to weaker occupational demand across all the key commercial property sectors. However, the higher-than-normal prime rental growth that we have seen over the last five years has not been about a boom in tenant demand but the lack of supply. So, unless we see a surge in development completions in 2026 (or a rise in tenant exits) the undersupply and rental growth will be sustained.

The supply story is becoming increasingly nuanced, and investors would do well to dig into micro-market supply trends before committing. For example, in the central London office market the level of development and refurbishment starts in 2025 was almost exactly in line with the average, while in the key regional city office markets there were almost no development starts. However, while the London pipeline seems full, the bulk of the completions are outside the Core and the bulk of tenant demand is in the Core. Similarly, in both the retail and logistics sectors a high headline vacancy rate can often hide substantially lower availability in the prime or dominant schemes and pitches.

One of the joys of real estate is that there is always a hot new macro trend that feeds through into a real estate need, and 2025's star was undoubtedly the AI and cloud-driven boom in demand for data centre space. Like so many of the rising stars of recent years, this is a sector that requires a high degree of investor expertise to assess, and we believe that the biggest impacts of the data centre boom in the UK in 2026 will be in terms of land deals and competition for land. Logistics developers in particular are already being outbid for key data and power-enabled sites, and we expect this trend to continue for the foreseeable future.

The office market remains our most favoured pick for investors in 2026, with steady (but highly location-focussed) tenant demand, a lack of new supply, and better than normal rental growth. The definition of prime has changed and is more location-specific than ever. Indeed, in some cases we believe that a perfect location can compensate for a less than five-star building, something that should enable developers to value-engineer plans to a better return.

Retail property remains in the growth phase of a traditional cycle, with vacancy rates in dominant locations down to cyclical lows. This is delivering demonstrable rental growth, though we do expect that to soften in 2026 as retailers must adapt to higher operating costs. Medium-term, we remain optimistic about retail now that omnichannel is omnipresent and shopping centres are looking increasingly defensive against some wider structural changes such as climate events and security.



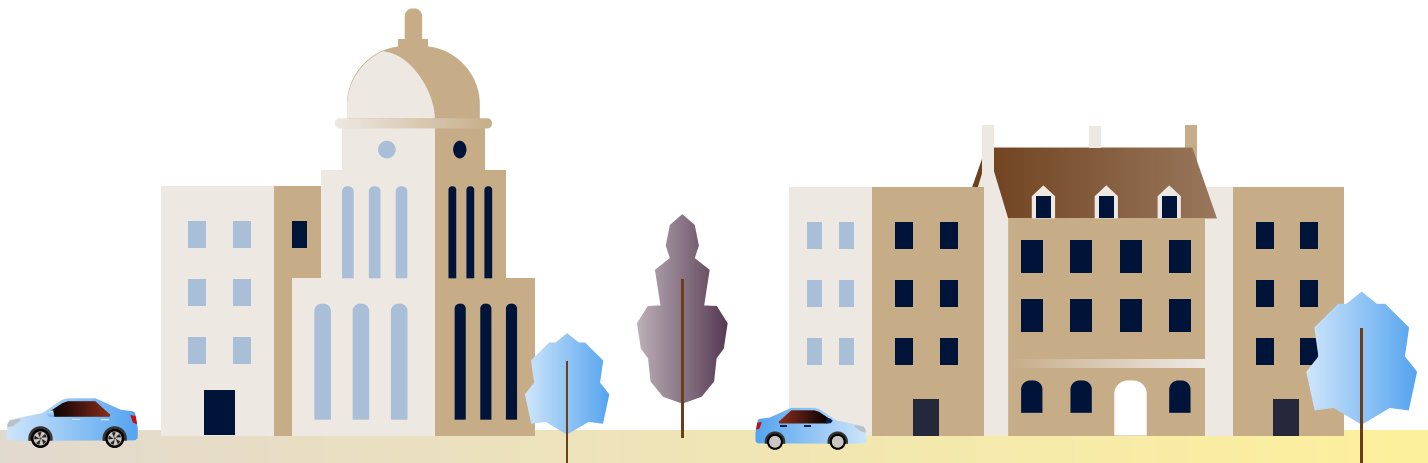
**LOGISTICS  
DEVELOPERS ARE  
BEING OUTBID FOR  
KEY DATA AND  
POWER-ENABLED SITES**



**OFFICE MARKET  
REMAINS MOST  
FAVOURABLE PICK FOR  
INVESTORS IN 2026**



**RETAIL  
PROPERTY  
REMAINS IN A  
GROWTH PHASE**





## A gentle slope upwards in prices and volumes in 2026, rather than a typical V-shaped bounce

The most interesting thing about the commercial property market at the start of 2026 is the lack of recovery in pricing that we saw in 2024 and 2025. Yields, even on prime, remain high and in some cases spreads between locations are throwing up some interesting questions about where mispricing could lead to inward yield shift.

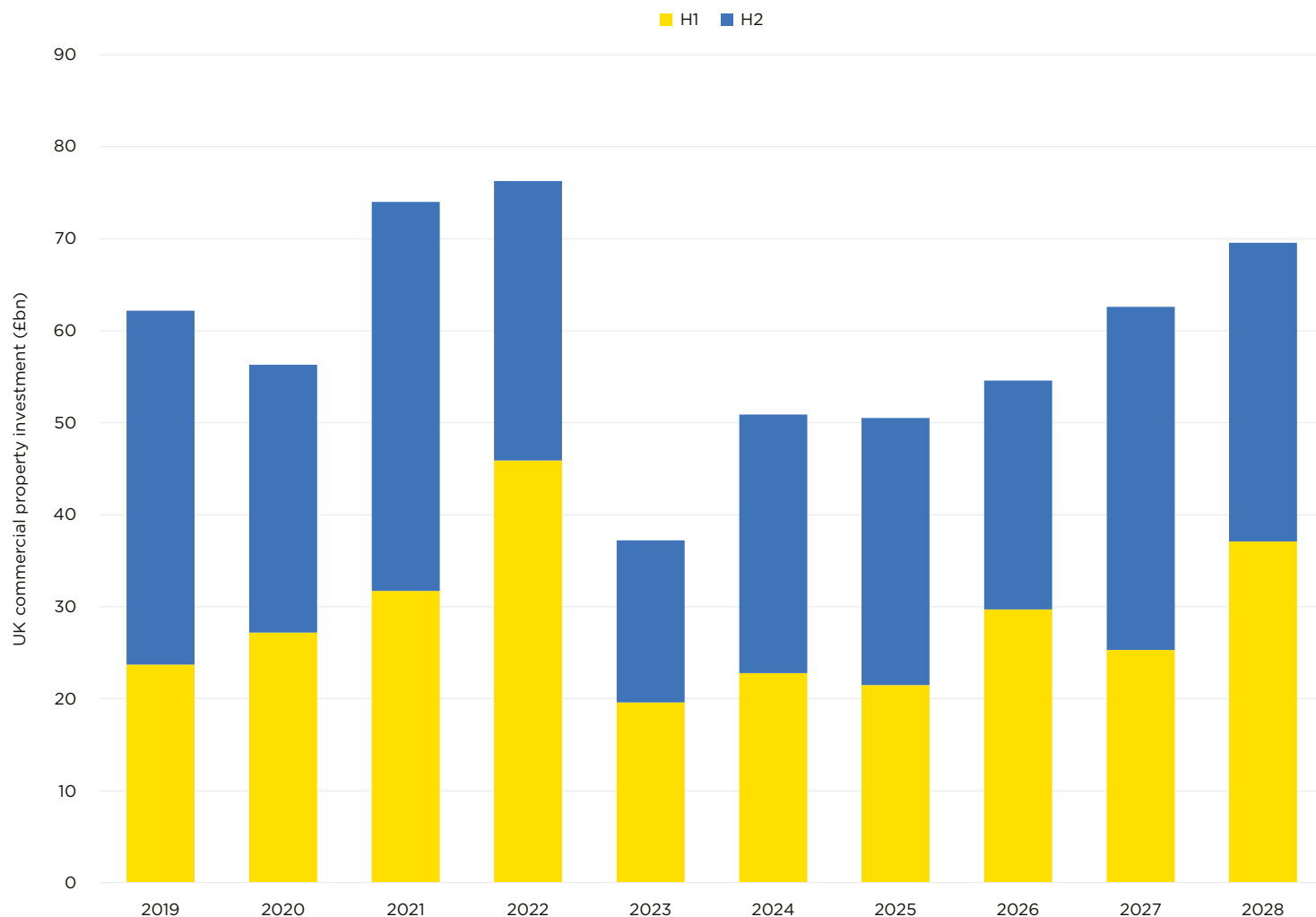
In the retail and office markets yields are in line with their GFC peaks, and in the office market the spread between the London City and West End, and then between central London and the regions, is wider than it has ever been.

However, the factors that held back a V-shaped recovery in 2025 are still mostly present in 2026. We do expect several more cuts in the base rate, but are less confident that these falls will feed through into the gilts market and hence borrowing costs. Competition amongst lenders for the best opportunities will lead to slightly more attractive LTVs and margins this year, but not enough to stimulate a surge in investment activity.

Another thing that has stimulated a recovery in the past is a rise in distressed sales, and we do expect to see a gentle trickle of motivated sales this year, but not a flood. Values will continue to slide on secondary and tertiary assets, but the yields on offer in such segments are already very attractive and have not stimulated a surge in investor interest.

As our cross-sector returns forecast shows[CT1.1], we expect that income will remain the most important component of total returns over the next five years, and this will mean that careful stock selection will be more important than ever in terms of capturing the best of the recovery phase of this cycle. Investment volumes will be up around 10% again this year, and this will bring the UK to around £55bn of turnover in 2026. We do expect to see some prime yield hardening across most sectors, though this is more likely to be in the 25-50bps range in 2026 than the more typical 100+bps that we have seen in previous cycles. While this all might seem rather dull, the returns on offer from commercial real estate over the next five years will all be in 8%-10% range, which is exactly in line with the long-run average, and sits property where it should be between equities and gilts.

**FIGURE 1: UK INVESTMENT VOLUME FORECAST TO GROW STEADILY FROM 2026**



Source: Savills Research

# Rural



**KELLY HEWSON-FISHER**  
HEAD OF RURAL RESEARCH

What does the future hold for UK land? From shifting agricultural policies and food security to energy, housing, and environmental targets, Kelly Hewson-Fisher explores why rural land is in demand and what's driving change.

## KEY TAKEAWAYS

**01**

Land remains a strategic asset. Rural land underpins food security, energy transition, and long-term portfolio resilience.

**02**

Policy and tax changes will shape timing. Owners and investors must plan ahead for 2026–2027 to capture value and avoid delays.

**03**

Renewable energy rents and capital uplift opportunities make alternative uses a critical part of rural investment strategies.



## From the ground up: It all begins with rural

The urban built environment in the UK would fit into an area not much bigger than the North West of England, covering 6% of the UK. Around three-quarters of the remainder is classed as utilised agricultural area (UAA). This highlights the significant role played by the rural sector and land management in providing three elements essential to life; environment, food and shelter.

However, the UK rural sector faces challenging and opportunistic times, and is paddling hard to keep up with the speed at which policies are published. The agricultural transition moves in earnest, away from the EU's Common Agricultural Policy (CAP) system of direct payments to a post-Brexit system of public money for public goods. England is further along the road than other devolved nations, and the acceleration of cuts to delinked payments earlier this year, along with the abrupt closure of the Sustainable Farming Incentive in spring, left many businesses reviewing their future direction. In 2026, Wales's Sustainable Farming Scheme is scheduled to start, and Scotland will phase in the implementation of its new framework.

The Autumn Budget announcements made short work of laying out a future where tax increases will apply to an increasing majority, though a pre-Christmas revision to scheduled changes to IHT Relief will have eased some of the pressure on family farms. The Finance Bill, expected in spring 2026, will confirm those announcements and the devolved nations will publish their budgets early this year.

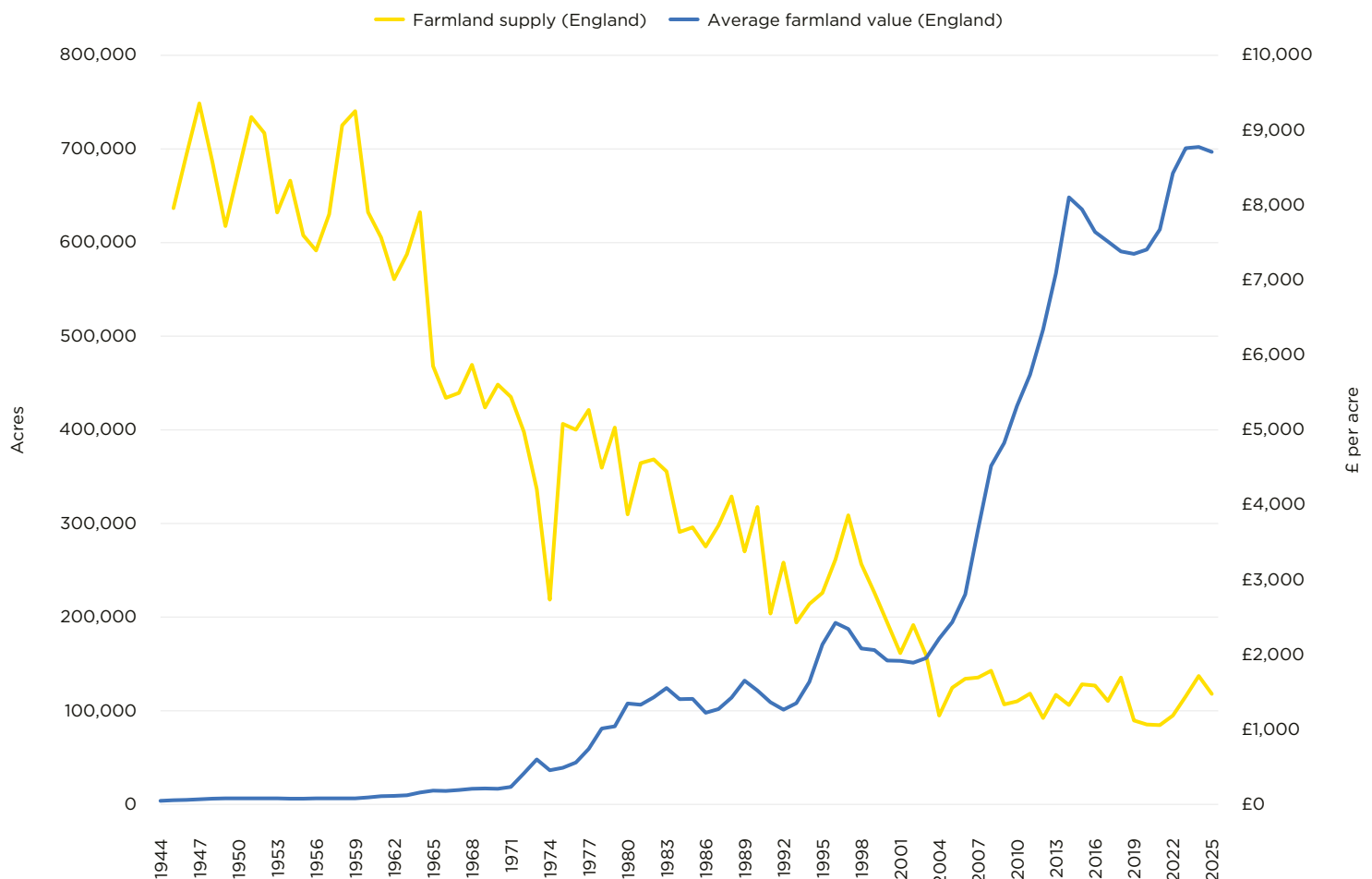
## Land is in demand

There remains the question: why invest in farmland? Land, when compared to other asset classes, continues to perform well long-term (Figure 1) and returns steady capital increases year-on-year. It's seen as a stable haven for long-term portfolios and doesn't experience the high and low fluctuations of other asset classes and, it provides diversification to investment portfolios. Land is a finite resource and is a tangible and versatile asset, capable of fulfilling a range of market demands.

## The GB farmland market

This time last year, we forecasted that 150,000 acres would be publicly marketed - in fact around 165,000 acres were publicly marketed during 2025. Supply levels varied across the regions and this year volumes were higher in regions with a higher proportion of arable land. We believe this reflects current market dynamics, with high stock prices boosting the livestock sectors, whereas falling cereal prices and the sharp reduction in delinked payments in England are affecting confidence and cash flow in the arable sector. Figure 1 shows long-term value and supply levels in England.

**FIGURE 1: LONG-TERM VALUES AND SUPPLY**



Source: Savills Research

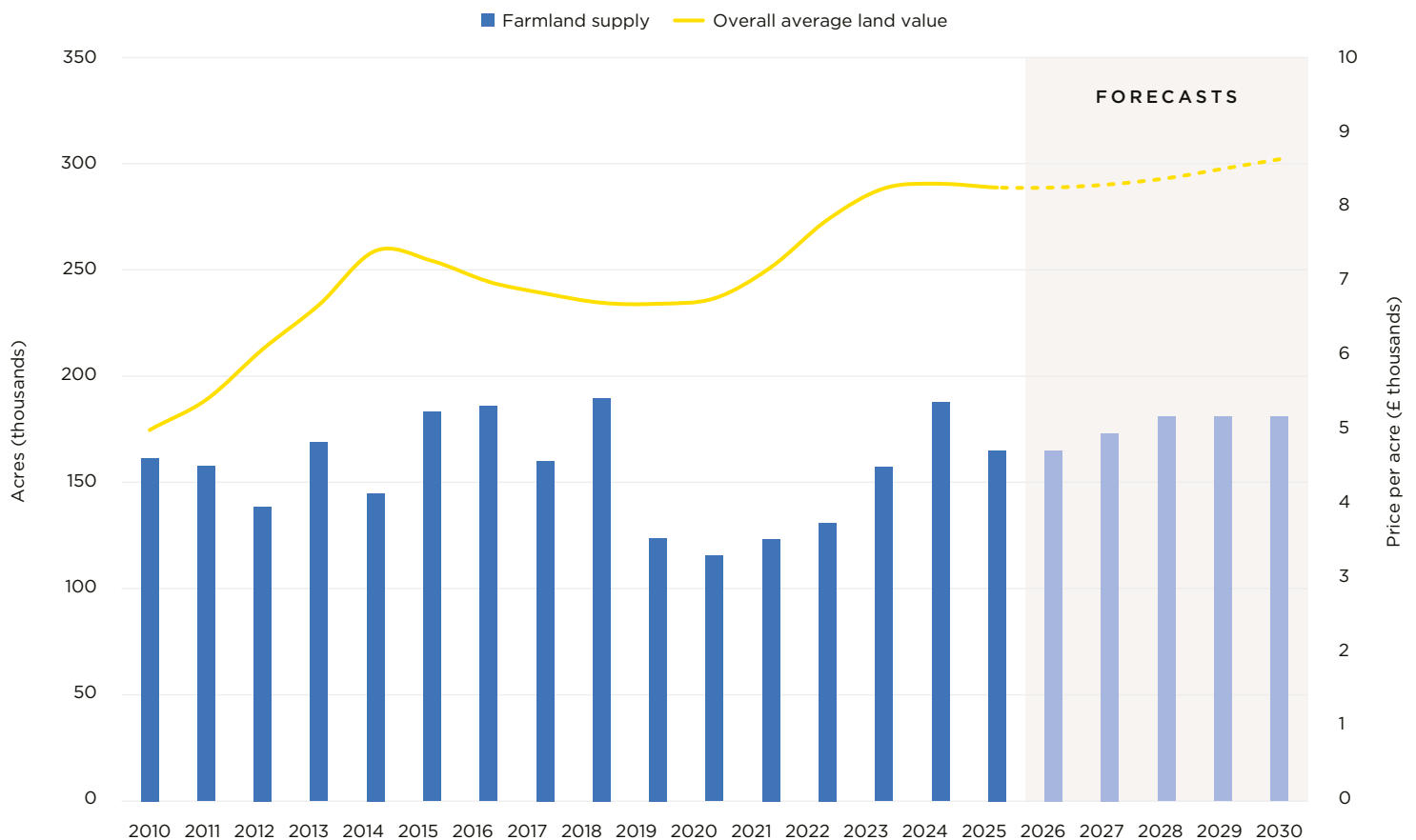
On average, farmland values have fallen by 0.6%, but results vary widely by grade and region. For example, in the East of England, pasture values are unchanged, whilst arable values have fallen. Prime arable land has fallen the most, by 5.5%, and grade 3 arable land has fallen by 1.5%; overall average arable values have fallen by 2.7%. On the other hand, in the North of England, most land types have increased in value, except poorer pasture, which has fallen by 2.3%.

Savills forecasts that farmland supply and values (Figure 2) will stabilise in 2026, before increasing from 2027. For supply, it is unlikely watered-down IHT changes will trigger farm sales in the short term because selling land realises capital, which has a less

favourable tax position than farmland. When the revised IHT reform is introduced in April 2026, land sales that may become necessary to fund the IHT would be delayed into 2027 due to the timeframes needed for probate and marketing preparation.

With respect to values, as previously noted, trends and pressures affecting farming enterprises differ among regions. Growth observed in certain areas will offset declines in others, resulting in an expected overall stabilisation of average year-end figures. It is anticipated that growth will resume from 2027, coinciding with increased policy clarity within the agricultural industry.

FIGURE 2: GB FARMLAND FORECASTS



Source: Savills Research \*current prices



Trends and pressures affecting farming enterprises differ among regions. Growth observed in certain areas will offset declines in others.

### Land is the bedrock of existence – the foundation and catalyst for change

Challenge and opportunity are apparent in equal measures. The land use framework for England, the 25-year farming road map and details of the national food strategy are expected this year. Scotland is working on its fourth iteration of the land use strategy and the Land Reform Act could be impactful for land ownership in Scotland.





## FOOD

The State of the World's Land and Water Resources for Food and Agriculture report published by the FAO in 2025 states that by 2050, the global population will reach 9.7 billion, and agriculture will need to increase output by 50% to meet food, fuel and fibre demands (compared to 2012 levels).

Dame Angela Eagle, MP and Minister of Food Security and Rural Affairs, stated "food security is more important than ever" and feeding the UK is the key vision. Ms Eagle said the primary requirement of land is to produce food (95% of food is produced on land), and she added that a priority going forward would be to drive more exports, for the government to look to remove trade barriers and seek to protect farmers in future trade deals.

The supply chain is becoming more active in influencing how food is produced. Savills reviewed over 40 regenerative agriculture agreements from across the supply chain where processors/retailers are seeking to understand the additional benefits, which can be measured when production follows regenerative agriculture principles. 30:50:50 is a proposed UK agriculture strategy put forward by the All-Party Parliamentary Group on Science and Technology in Agriculture that aims to:

- 01** Increase UK domestic food production by 30% by 2050.
- 02** Reduce agriculture's environmental footprint by 50% per unit of output by 2050.



## DEVELOPMENT

In England, the government is behind on its 1.5 million new homes target. The National Housing Federation, the Home Builders Federation and Savills all warning this target is impossible to meet. Key challenges so far include planning delays, rising costs and shortages of materials and skilled labour. It is however, forging ahead with the plan to build 12 new towns in England, which will count towards the overall housing target.

Data centre development across the UK is growing rapidly and projections are for growth of almost a fifth, with the majority set to be built in the next five years. The UK Government has designated them as critical national infrastructure. The Planning and Infrastructure Act<sup>1</sup>, aims to make provision for infrastructure and town and country planning through wider reforms.



## ENVIRONMENT

The Environmental Improvement Plan (EIP) was published 1 December 2025. The EIP is a statutory plan providing a strategic framework for improving England's natural environment up to 2043 and new interim targets have been set for the statutory Environment Act 2021 targets. The EIP contains 10 goals covering restored nature, air, water, chemical and pesticides, waste, resources, climate change, environmental hazards, biosecurity and access to nature. There are a number of initiatives for delivery including, 48 Local Nature Recovery Strategies which are expected to be published in the new year and the National Estate for Nature group has been convened which includes England's most significant public and private landowners.

For the devolved nations, there is a Northern Ireland EIP, Scotland Environment Strategy and Wales has the Environment (Wales) Act 2016. For all, land management will be required to meet the targets set.

Forestry remains a focus. The statutory Environment Act target is to increase England's tree canopy and woodland from 14.5% to at least 16.5% by 31 December 2050. Forestry, like many capital markets, was a mixed picture during 2025. While investors remain interested in the fundamentals of forest investing, uncertainty around the wider economic outlook meant caution remained throughout the year, with many continuing to hold cash. This meant the expected recovery in buyer interest didn't materialise and overall demand remains subdued. That said the weakening price trends seen in 2023 and 2024 appear to have stabilised. The outlook for 2026 will be linked to wider global economic trends, and there continue to be regional nuances.



<sup>1</sup> Majority of the Acts reforms apply to England and Wales but some provisions have been extended to Scotland.



## ENERGY

A quarter of a century ago, fossil fuels provided 90% of all the energy consumed in the UK. In 2024, almost three-quarters of energy consumed still came from fossil fuels. While wind and solar projects have seen their combined capacity rise over 9,000% since the millennium, supporting infrastructure has not kept pace, meaning ever-increasing levels of curtailment. There is still a long way to go then, before the nation achieves clean power. The UK must do in five years what it has failed to do in 25.

Savills analysis of the Renewable Energy Planning Database suggests the UK can at least hit its capacity targets in time (43-50 GW of offshore wind, 27-29 GW of onshore wind, and 45-47 GW of solar power by 2030) if it can only find a way to build out the project pipeline. However, that journey will not be without its obstacles. The greatest of these is the electricity grid, where a historic underinvestment in infrastructure means connection dates for energy-generating assets stretch well beyond the 2030 target date for clean power.

Action is being taken. UK grid connection reforms are shifting from a “first-come, first-served” model to a “first ready, first connected” approach to prioritise viable projects. Ofgem is reforming network charges to encourage generation and demand to locate where grid capacity is more likely to be available. The Clean Power 2030 Action Plan, as well as the upcoming Strategic Spatial Energy Plan, Regional Energy Strategy Plans and Local Area Energy Plans, all point to a shift towards spatial energy planning: the right asset in the right place. For investors and developers, this approach sets a clear target for each technology class and each region of the UK, making site-finding essential to success.

The right piece of land for solar, and renewable assets more broadly, is now the one that can be connected to the grid. Investors in this land can expect solar developers to offer rents in the region of £1,000 per acre per year. This will be inflation-linked to offer security over the term of the contract, often multiple decades.

### The future of land

In the short to medium term, land can return an income from farming although low at between 0.5% and 1.5%. And, while Baroness Minette Batters' Farm Profitability Review (with 57 recommendations) recommends a revaluation of the sector, it is often the long-term strategic development potential of land which entices investment. Figure 3 shows the capital uplift which could be achieved from an agricultural base (Grade 3 arable land) to solar photovoltaics and residential development opportunities.

Through collaboration, across private and public landscapes, opportunities are available for the sector from more sources than ever before. Whether this be food production, forestry, nature-based solutions or alternative land uses such as energy and development, land is in demand.

**FIGURE 3: LAND USE CAPITAL UPLIFT RELATIVE TO GRADE 3 ARABLE LAND**



Source: Savills Rural Research

\*Timescale for capital value uplift for solar photovoltaics is dependent on the grid connection date



# Residential



**LUCIAN COOK**  
HEAD OF RESIDENTIAL RESEARCH

What will shape UK residential returns over the next five years? From inflation and interest rates to planning reforms, mortgage flexibility, and rental legislation, Lucian Cook explains the forces redefining housing markets and investor strategies.

## KEY TAKEAWAYS

**01**

Economic uncertainty and expensive debt have slowed the market, but falling rates and more flexible lending are laying the groundwork for renewed activity.

**02**

Rental reform and tax changes are driving landlord consolidation, reducing supply but supporting rental growth.

**03**

Housing targets are opening doors for developers, but land value capture and viability remain obstacles.

## LANDMARK MOMENTS IN THE RESIDENTIAL MARKET

2025 heralded a number of landmark events which, alongside the general economic backdrop, are set to shape the returns generated from different parts of the residential market over the next five years.

### Economic environment

On the economic front, inflation which started the year at 2.5% stood at 3.2% in November. And so, while rates were cut in December to stimulate a fairly stagnant economy, this has meant some of the interest rate cuts pencilled in for 2026 have been pushed out to later years. Consequently, we have downgraded our mainstream house price growth expectations for this year to just +2.0%.

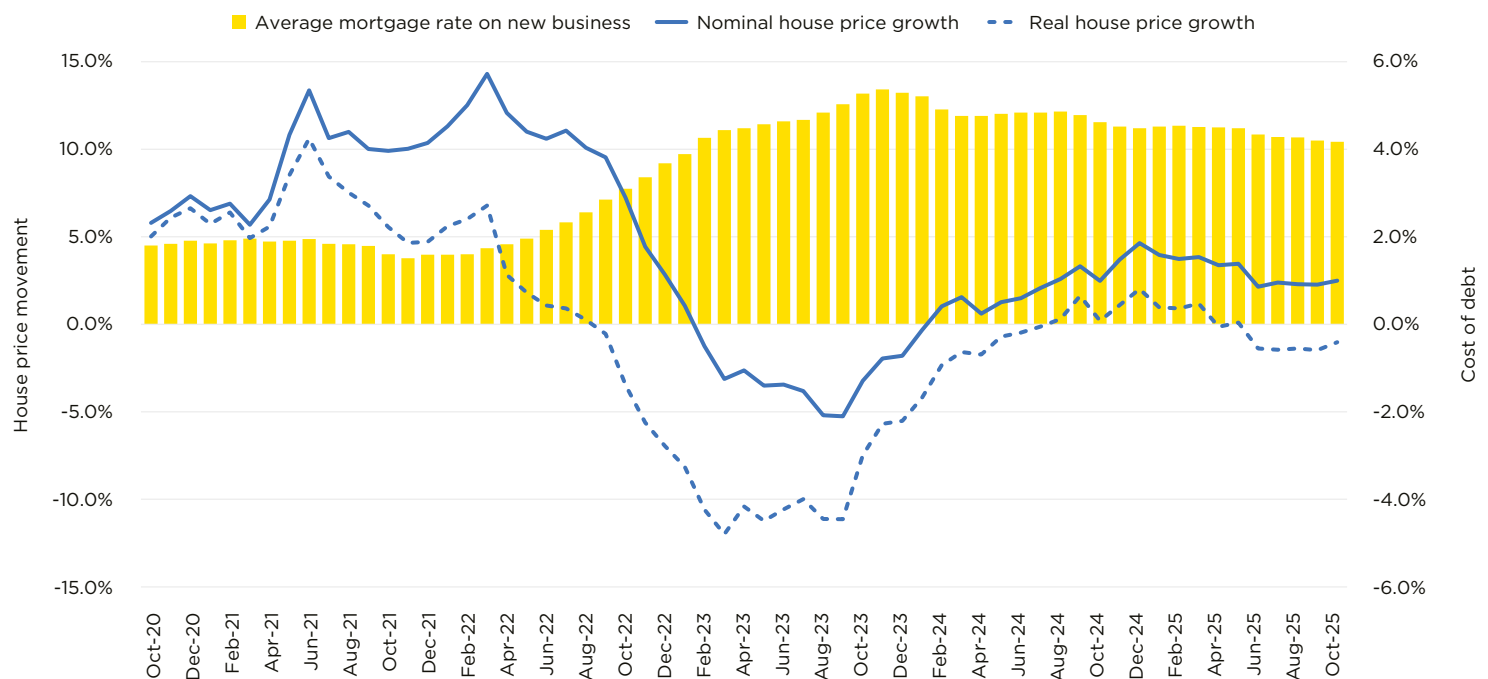
Over the medium term the outlook seems brighter, particularly in late cycle housing markets beyond London and the South.

### Mortgage milestones

This five-year outlook for average growth of 22% is supported by the greater latitude given to lenders in how they apply mortgage regulations, following revised guidance from the FCA in March of 2025.

Though, on the face of it, while this does not have quite the same milestone status as some of the legislative changes around planning, taxation and residential lettings, it does open up capacity for more lending at high loan-to-income and loan-to-value ratios, widening the range of buyers and their purchasing power when sentiment improves.

FIGURE 1: HOUSE PRICE GROWTH V COST OF DEBT



Source: Savills Research

**+2.0%**

**MAINSTREAM HOUSE  
PRICE GROWTH  
FORECAST FOR 2026**





## Housebuilding hopes

This backdrop has real implications for the housebuilding sector. Despite a more relaxed planning environment across England and the promise of further improvements as the pivotal Planning and Infrastructure Bill edges closer to receiving Royal Assent, developers of all shapes and sizes have struggled to take advantage of this positive planning environment in the face of weaker sales demand.

There was nothing of substance in the Autumn Budget to suggest that this will materially change this year. But if, as the omens suggest, we return to stronger price growth and increased sales activity from 2027, we are likely to see the brakes gradually come off and housebuilders' appetite for land to grow.

Just as important, falls in interest rates and gilt yields will be crucial in restoring institutional demand for new Build to Rent product so that the returns again look competitive compared to other classes.

Housing Associations are also likely to return to the land market as the new Social and Affordable Homes Programme grant funding will be allocated from mid-2026. Minds will be focussed by the need to acquire schemes that can complete by April 2029, creating a short window for buying land.

## Designs on development

In the short term, the return of mandatory housing targets means those holding strategic land will have a good opportunity to secure the planning which unlocks its development potential. But uncertainties remain regarding what government will seek to extract via land value capture; whether through developer contribution agreements, or other avenues.

How much to demand without locking up the land market remains a riddle which government is finding difficult to solve. But we must hope lessons have been learnt from London, where onerous affordable housing requirements have now been eased in an attempt to revive an ailing residential development market.

# +22%

**MAINSTREAM HOUSE PRICE  
GROWTH OVER THE NEXT 5 YEARS**



### Planning backdrop England\*

## 72%

of local plans are over 5 years old

## 67%

of LPAs cannot demonstrate a 5-year land supply

## 18%

of homes consented in H1 2025 were via appeal

## 1/3

of LPAs face presumption in favour under the Housing Delivery Test



### Planning backdrop Scotland

New Local Development Plans required by May 2028

Only applications on land allocated for housing in Plans will be supported except in limited circumstances



### Planning backdrop Wales

Planning consents and new home sales lowest on record in Q2 2025 despite progress on Local Development Plans

8,700 undetermined planning applications in Special Areas of Conservation (October 2025)

Source: Savills Research  
\*November 2025

## Rental reform

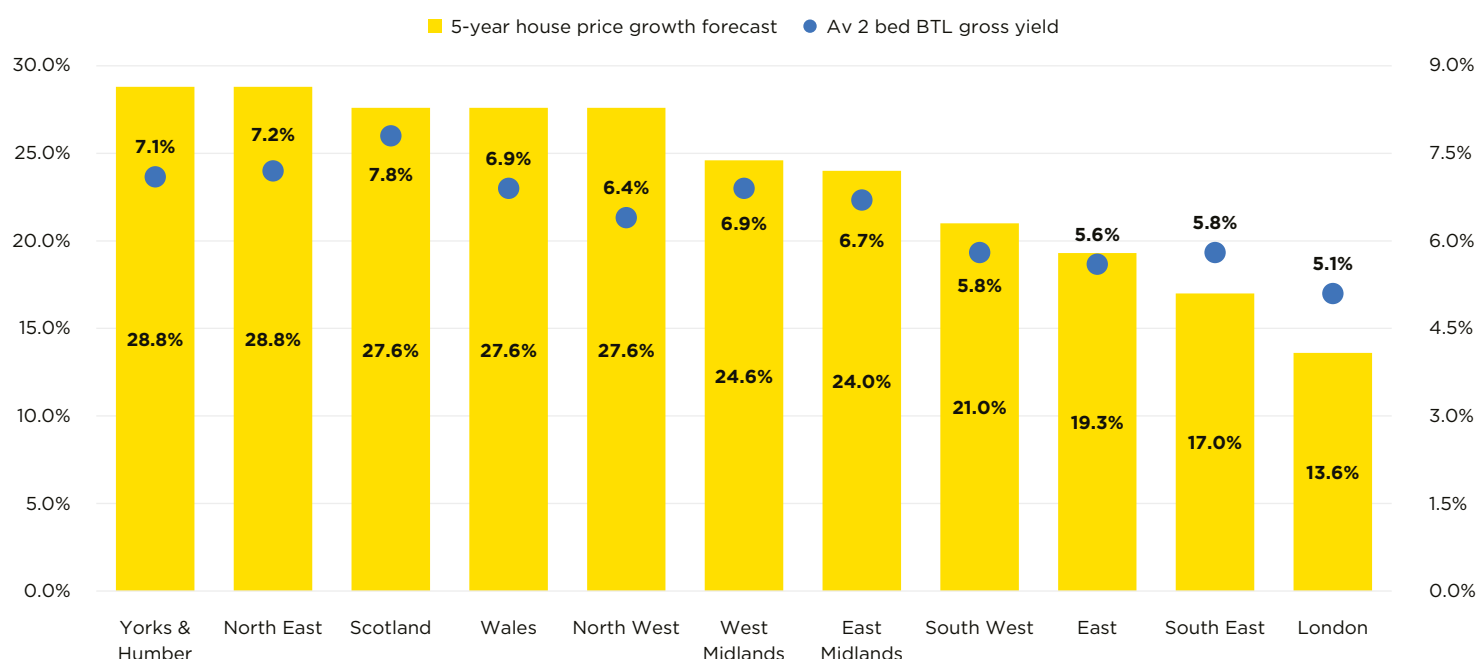
The other landmark legislative change of 2025 was the Renters' Rights Act, the single biggest change in residential landlord and tenant law since the Housing Act 1988.

Its predecessor, the Renters' Reform Bill, was first laid before Parliament in May 2023. And so, a recalibration in the balance of power between landlords and tenants has shaped our thinking on the outlook for the residential investment market for over two and a half years.

The provisions are likely to be most easily digested by larger, wealthier landlords who are best placed to deal with an additional regulatory burden and spread their risk across a wider portfolio of properties. A further wave of sales by smaller, more indebted landlords is likely to follow. Some of those properties will be bought by first time buyers, while others - which meet larger landlords' prescriptive minimum return expectations - will stay within the sector.

However, there is little to suggest that the sector will remain anything other than under supplied, especially given the additional income tax rate on investment income introduced by Rachel Reeves. This is likely to underpin expectations for future rental growth.

FIGURE 2: MAINSTREAM PRICE FORECASTS AND GROSS YIELDS



Source: Savills Research

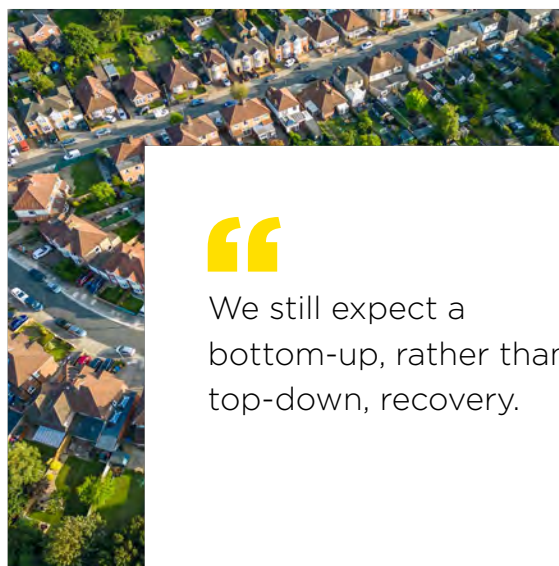
## Prime peculiarities

2025 will also be remembered as a year of unprecedented Budget speculation.

Much of that focussed on the top end of the market, with much talk of mansion taxes. On 26 November, Rachel Reeves unveiled new surcharges for properties over £2m to sit alongside council tax and counteract its regressive nature.

Those charges came in towards the bottom of the range of fears and expectations which hung over the top end of the market in the run up to the year's main fiscal event. And, given the extensive valuation exercise that will be required in 2026, they will not apply until April 2028.

This has allowed buyers and sellers who put their plans on hold to re-enter the market and will give some breathing space for other homeowners to assess what it means for them. However, we still expect a bottom-up, rather than top-down, recovery.



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# Living sectors



**RICHARD VALENTINE-SELSEY**  
HEAD OF EUROPEAN LIVING RESEARCH

Living sectors are reshaping UK real estate — why are investors shifting billions into Build to Rent (BTR), student housing, and senior living? Richard Valentine-Selsey explores what's driving this evolution and where the next big opportunities lie.

## KEY TAKEAWAYS

**01**

Living sectors now make up 25% of UK real estate investment, with £32bn set to deploy in three years.

**02**

Single Family Housing is driving Build to Rent growth, accounting for around 50% of investment since 2023.

**03**

2025 delivered the strongest Q3 investment on record for PBSA, but pricing softened by 25bps as occupancy concerns emerged, while Senior Living shifted toward rental models and consolidation.





### Evolution in the living sectors

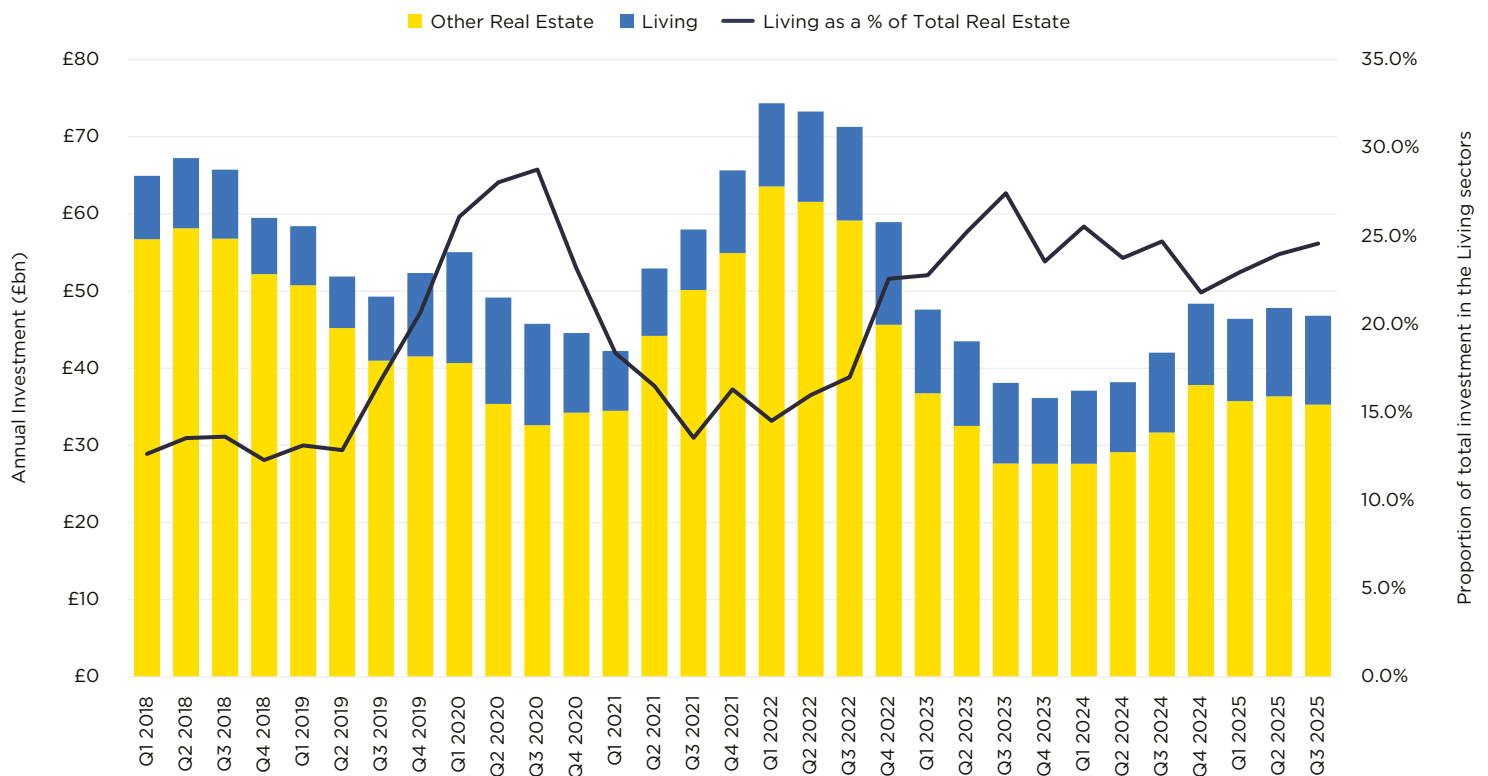
In 2015 the living sectors only accounted for 11% of total investment in the UK. Despite a fall in the number of homes under construction, this reached 25% in 2025.

More than that, Savills 2025 European OpRE survey found that investors planned to deploy over £32 billion of capital into the living sectors over the next three years, with the UK and Ireland a priority location for 50% of respondents.

As interest rates and gilt yields fall, development viability will gradually improve. Meanwhile, the first generation of Build to Rent will offer opportunities to buy into stabilised income streams. But how will that play out in different parts of the market?

**25%**  
**TOTAL INVESTMENT  
LIVING SECTORS  
ACCOUNTED FOR  
IN 2025**

**FIGURE 1: LIVING SECTORS PROPORTION OF TOTAL INVESTMENT**



Source: Savills Research



## SINGLE FAMILY

### Leading new development

The Single Family Housing market has accounted for around half of all investment into Build to Rent since 2023. Early investment was driven by the housebuilding industry pursuing alternative sources of demand for homes they had already committed to build, as Help to Buy was wound up.

But we have seen a shift in mindset from housebuilders, with many proactively setting a target to deliver 10% of their annual completions to institutional investors as markets improve. Importantly, strong recent rental inflation (especially relative to house price growth) has made delivery of this nature more viable.

The attractiveness of Single Family Housing has been further bolstered by the fact it isn't caught up in the Building Safety Gateway delays. But it also has the advantage of servicing demand from young families looking to put down roots in an area – the strongest growing part of the rental market.

Accordingly, we believe it will lead to a recovery in the Build to Rent development pipeline, both as housebuilders look for more routes to market and investors see competitive returns re-emerge.



## MULTIFAMILY

### Recycling first generation schemes

Multifamily was at the forefront of the emergence of Build to Rent in the UK.

But, more recently, it has faced rising construction costs, increased finance costs, stricter building safety regulations and delays in securing Gateway sign off construction.

And this, together with greater availability of operational assets, has caused investors to focus more of their activity on existing units – those already delivering a stabilised income stream. These opportunities are set to increase as the pioneer funds come to an end, some current owners look to recycle capital, and others look to consolidate their position by expanding in order to build further critical mass in 2026.

And so, the expectation is that those looking to exit first generation stock will provide opportunities for other investors looking to enhance current returns through asset management, operational efficiencies and targeted capex.

Meanwhile funding structures which have evolved over recent years mean developers are increasingly likely to receive their profit once schemes are stabilised, rather than on practical completion. This should gradually open up more development opportunities, albeit over a longer timeframe than Single Family Housing.

At the same time, co-living is set to further evolve, finding its place in markets where it provides a less expensive alternative to more mainstream, but undersupplied, tenures.



## STUDENT ACCOMMODATION

### Becoming more selective

Respondents to Savills 2025 OpRE Investor Survey from March 2025 put Purpose Built Student Accommodation (PBSA) at the top of their list of priority sectors.

Over the past decade, appetite has been driven by growth in student numbers which outpaced new delivery to drive strong rental growth.

But 2025 saw concerns around occupancy levels surface in some markets. Two of the largest providers in the UK reported that reservations were below their level at the same point in previous years in recent trading updates. It is no coincidence that around 150 providers failed to meet international recruitment targets for the 2025/26 academic year. As a result, despite 2025 having the strongest third quarter of investment on record, pricing softened by 25bps through the first nine months of 2025.

Looking forward, investors will need to ensure thoughtful underwriting of locations. That will include a tighter focus on the financial strength and growth potential of individual institutions. It will also mean that selecting the right operating partner will be crucial.



## SENIOR LIVING

### Shifting to rental models

2025 was a year of consolidation in the Senior Living sector, with several high-profile mergers and joint ventures.

But we also saw growing interest in rental models, suggesting the market is shifting toward a more income-focused approach. This pivot toward rental mirrors trends already seen in the US, where shorter income-producing business plans appeal to a broader range of capital.



## Savills Research

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**Kelly Hewson-Fisher**

Head of Rural Research

+44 7977 539 956

[kelly.hewsonfisher@savills.com](mailto:kelly.hewsonfisher@savills.com)

**Mat Oakley**

Head of Commercial Research

+44 20 7409 8781

[moakley@savills.com](mailto:moakley@savills.com)

**Lucian Cook**

Head of Residential Research

+44 20 7016 3837

[lcook@savills.com](mailto:lcook@savills.com)

**Richard Valentine-Selsey**

Head of European Living Research

+44 20 3320 8217

[richard.valentineselsey@savills.com](mailto:richard.valentineselsey@savills.com)