



The Collective Voice of UK Real Estate

Who invests in UK property 2025/6? A joint report from Real Estate:UK & CoStar

May 2026

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About Real Estate:UK

Real Estate:UK serves as the single, authoritative voice for investors, developers, owners, lenders, advisers and stakeholders across the built environment. Our mission is to drive excellence, support innovation, raise professional and ethical standards, and act as a trusted partner to governments, decision-makers and regulators.

With over 500 member organisations spanning investors, developers, advisers and operators, we represent the full breadth and diversity of the market.

We connect UK and international investors with the insight, networks and opportunities that make the UK one of the world's most dynamic and investable markets.

Working closely with national governments and their agencies, as well as regional and local leaders, we promote the UK real estate sector as a premier destination for capital. Through direct engagement with ministers, policymakers and advisers, we help shape a regulatory environment that unlocks growth and builds investor confidence.

We support thriving communities across the UK through the homes, workplaces, critical infrastructure such as logistics and data centres, and retail and leisure centres our members build, maintain and operate.

About CoStar Group

CoStar Group (NASDAQ: CSGP) is a global leader in commercial real estate information, analytics, online marketplaces, and 3D digital twin technology. Founded in 1986, CoStar Group is dedicated to **digitizing the world's real estate**, empowering all people to discover properties, insights, and connections that improve their businesses and lives.

CoStar Group's major brands include [CoStar](#), a leading global provider of commercial real estate data, analytics, and news; [LoopNet](#), the most trafficked commercial real estate marketplace; [Apartments.com](#), the leading platform for apartment rentals; [Homes.com](#), the fastest-growing residential real estate marketplace; and [Domain](#), one of Australia's leading property marketplaces. CoStar Group's industry-leading brands also include Matterport, a leading spatial data company whose platform turns buildings into data to make every space more valuable and accessible; STR, a global leader in hospitality data

and benchmarking; [Ten-X](#), an online platform for commercial real estate auctions and negotiated bids; and [OnTheMarket](#), a leading residential property portal in the United Kingdom.

CoStar Group's websites attracted over 131 million average monthly unique visitors in the first quarter of 2026, serving clients around the world. Headquartered in Arlington, Virginia, CoStar Group is committed to transforming the real estate industry through innovative technology and comprehensive market intelligence. From time to time, we plan to utilize our corporate website as a channel of distribution for material company information. For more information, visit [CoStarGroup.com](#).

Executive summary

- This is the second volume of an annual report jointly produced by CoStar and Real Estate:UK (last year's report was jointly written by CoStar and the British Property Federation, one of Real Estate:UK's predecessor organisations). The report covers 2025 and the first quarter of 2026.
- Last year remained difficult for developing UK real estate, with headwinds creating a viability gap. These headwinds included continuing high costs of capital and regulatory barriers such as the Building Safety Regulator, or shocks to confidences such as the sudden introduction of a ban on upwards-only rent reviews. Government reforms to planning and other more positive measures were still being legislated for or had not yet time to bed in.
- However total investment into UK real estate was higher in 2025 than 2024, rising to £57 billion from £56 billion the previous year. The share of this from overseas rose 33% year over year to £27.2 billion — 22% above the long-term average — making 2025 the fourth strongest year on record for cross-border investment, and accounting for a record 56% of all activity.
- As with 2024, the USA was by far the dominant investor. In 2025 it accounted for 73% of the combined value of all investments for the top ten investing countries with the next nine largest combined making up just 27% of the total amount invested by the top ten countries.
- US investment into UK real estate, while welcome, risks making the UK over-reliant on a single source of capital in the global market. Real Estate:UK would like to work with Government on an event to co-host an investment summit for real estate, building on previous investment summits held for other sectors of the economy in recent years.
- The UK's regional markets attracted £17 billion last year, 23% below 2023–24 levels and 53% of all investment, the lowest share in four years. On the surface, this points to weakening regional appetite. However, the picture changes dramatically once portfolio trades are factored in. Multi-region portfolio transactions surged 70% to a record £25.1 billion. London by contrast remained resilient, with investment levels of £15 billion, just 4% below the long-term average, supported by strong demand for offices.
- 2024's story of a decline in logistics transactions continued in 2025. Retail saw a significant contraction after 2024's bumper year and offices staged a modest but meaningful revival. By contrast large healthcare transactions and continued growth in data centres and life sciences transactions accounted for growth outside more traditional sectors.

Executive summary (continued)

- Over the past decade, UK data centre inventory has expanded by almost 40%, with the most rapid growth occurring in the past year as total stock rose by 12%. The fastest growing region was Berkshire & North Hampshire, which has added over 2.5 million square feet of new data centre space since 2016. London followed closely with 2.4 million square feet delivered over the same period, and the capital now accounts for more than 30% of the UK's total data centre stock.
- UK life sciences demand reached a new record in 2025, with laboratory leasing rising to its highest level in at least a decade. Nearly 960,000 square feet of lab space was acquired nationwide, driven overwhelmingly by the Golden Triangle of Oxford, Cambridge and London, which accounted for almost 80% of activity — the largest share since 2017.
- Data for Q1 of 2026 suggests a quieter property market, with much investment still driven by London offices. The period ends before the start of the US-Iran war, and the expectation is that this will have a negative effect on Q2 data and on investor willingness to undertake deals and particularly new development. The consequences of this conflict are already being seen in terms of higher interest rates and input prices, although it is not clear how long this will last.
- Whilst the Government has recognised and acted on many of the headwinds undermining development viability in 2025, uncertain international and domestic politics look set to counteract much of this progress. Real Estate:UK wants to work with the Government to remove the viability hurdles to development that are blocking further investment into UK real estate and will be publishing more on this during 2026.

Introduction

This report is the second report jointly produced by CoStar and Real Estate:UK, and it picks up from the UK real estate investment picture as set out by CoStar and the British Property Federation (BPF), one of Real Estate:UK's predecessor organisations, in 2025.

The intention of these annual reports is to paint a picture of the origin, scale and destination of overseas real estate investment into the UK, with the aim of demonstrating the sector's importance to the country's housing needs, commercial and leisure space demands and, in turn, its role in economic growth.

Since last year's report was published (March 2025), a lot has happened that impacts investment flows and investor confidence. The hope of many in the industry was that the election of the new UK Government in 2024 and its explicit commitment to speeding up the planning process, supporting development (particularly housing) and growing the economy, combined with its historically large majority, would be beneficial for the sector. Despite turbulence in the administration's first 18 months, there was a hope towards the end of 2025 that the industry, and the country, was turning a corner.

However, events since then have downgraded that expectation. Wider geopolitical events ranging from the prospect of trade conflict between the UK and the USA last year to actual conflict in the Middle East this year undermined the stability that long term investors need. In particular, the latter is affecting already-high energy costs and in turn inflation, and thus interest rates and the cost of debt. This headwind makes development less certain, and Real Estate:UK members report less willingness to deploy capital to new projects as a result.

While international events are largely outside Government control, other factors within its control are

also acting as headwinds undermining development viability and are giving investors pause for thought when considering the UK as an investment destination. Delays at the Building Safety Regulator grew during last year and, while the situation appears to be improving, it is still a cause of delay and thus cost for investors - disproportionately those operating in higher-density urban areas and, particularly within this, the BTR sector. Further, the sudden and un-trailed ban on upward-only rent reviews, the delayed homes penalty proposal, the forthcoming Building Safety Levy and the reorganisation of much of English local government add either cost or uncertainty, as well as potentially further delay, to the investment climate.

More positively, publication of the Industrial Strategy, further reforms to the National Planning Policy Framework, action on grid connectivity, and some of the measures in the Planning & Infrastructure Act have been helpful, although they will take time to translate into improvements to the environment for delivery.

In that context, it is hardly surprising that new development, particularly residential, in the UK is so challenged. The [S&P construction index in March 2026](#) was 45.6 (with residential at 38.2), the fifteenth month in a row below 50 (the point at which the sector is contracting), while input cost inflation was at its highest rate for 30 years. BPF/Savills BTR data shows that 2025 completions were down around 80% on 2024, a rate little improved so far in 2026.

Despite all these headwinds, the data in this report does indicate some more encouraging trends. Total investment (i.e. domestic and overseas) in UK commercial real estate was slightly higher in 2025 than

Introduction (continued)

2024, with overseas real estate capital investment particularly growing 33% year-on-year, including in the BTR sector, indicating that investors still see opportunity. Indeed, in 2025's EY's 'UK Attractiveness Survey' the UK retained its second-place ranking for FDI in Europe (again, as in 2024, behind France). The UK was also, again as in 2024, ranked third in Europe, behind France and Germany, in terms of overall attractiveness to investors.

The caveat to this, as described in detail in this report, is that some of this investment activity is skewed by a small number of very large transactions.

It is also important to draw a distinction between buying existing assets and investing in new construction. While new development does face a viability barrier, CoStar's data in this report includes all transactions (see 'Methodology' section below), and will point to investor perceptions of the UK as an investable destination in general, rather than purely its attractiveness as place to undertake new development.

Overall, the picture of real estate investment in the UK in 2025 confirms what many in the sector reported – not as bad as previous years, but not a great year either, with hopes and expectations that things would improve in 2026.

Given the timing of publication of this report, it also includes data from the first three months of 2026 as an addendum on page 23. This data will be incorporated into next year's report on 2026.

Methodology

The data in this report has been drawn from CoStar's comprehensive database of nearly 300,000 UK sales transactions. The data itself is drawn from investment transactions since 2011 to put it in recent context, and measures 'flow' rather than 'stock' (i.e. annual levels of investment measured through transactions rather than measures of the value of property assets held by businesses based overseas).

The data in this report relates to all transactions in commercial real estate. This includes both development under construction as well as existing assets being traded. It therefore demonstrates investor appetite for historic as well as newly constructed assets.

Who is investing in UK property?

An aerial photograph of a city, likely London, showing a dense urban landscape. The image is divided into two horizontal sections. The top section is tinted with a dark blue color, and the bottom section is tinted with a teal color. The text 'Who is investing in UK property?' is overlaid in white on the top section. The city features a mix of architectural styles, including older brick buildings and modern glass-fronted structures. A prominent building with a curved facade and a clock tower is visible in the lower right quadrant. The streets are filled with cars and pedestrians, and the overall scene conveys a sense of a busy, developed urban environment.

Summary

- As in 2024, the US remains the dominant investor in UK commercial real estate, with notable investment in healthcare, although office investment increased too. The living sectors were more mixed, with increased build-to-rent investment somewhat offset by falling student accommodation investment.

UK commercial property investment edged slightly higher in 2025 than in 2024, with total transaction volumes exceeding £57 billion, up from £56 billion in 2024 (see chart 1), as confidence began to reestablish itself across parts of the market.

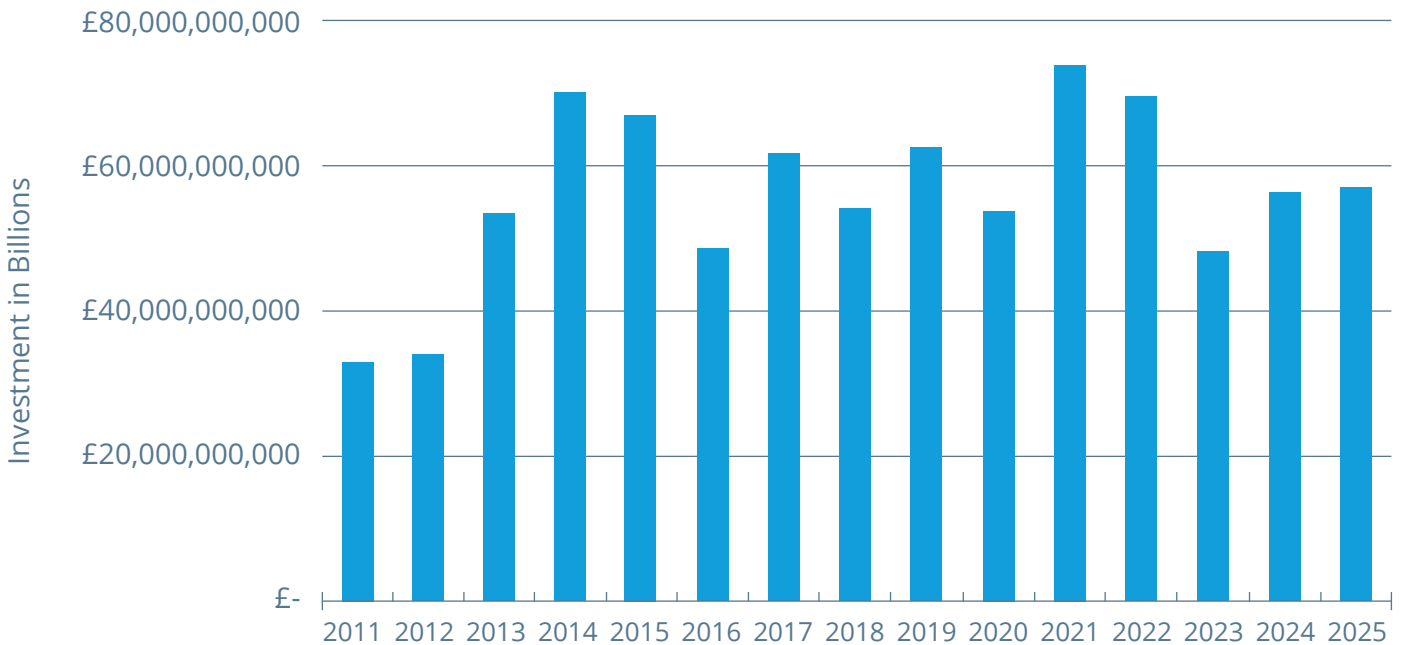


Chart 1: Total Investment into UK commercial real estate

Source: CoStar Group



Yet within this broader picture, no trend was more striking than the record prevalence of foreign capital. Overseas inflows rose 33% year over year to £27.2 billion — 22% above the longterm average — making 2025 the fourth strongest year on record for cross-border investment.

Foreign buyers accounted for a record 56% of all activity (see chart 2, below), underscoring the UK's ability to attract global capital against a backdrop of elevated interest rates and geopolitical uncertainty.

The scale of the foreign presence, however, was shaped disproportionately by Welltower's £6 billion-plus acquisitions of more than 550 care homes from Barchester Healthcare and HCOne, which alone lifted

US spending to a record £18.2 billion – 58% higher than the 2023-24 average.

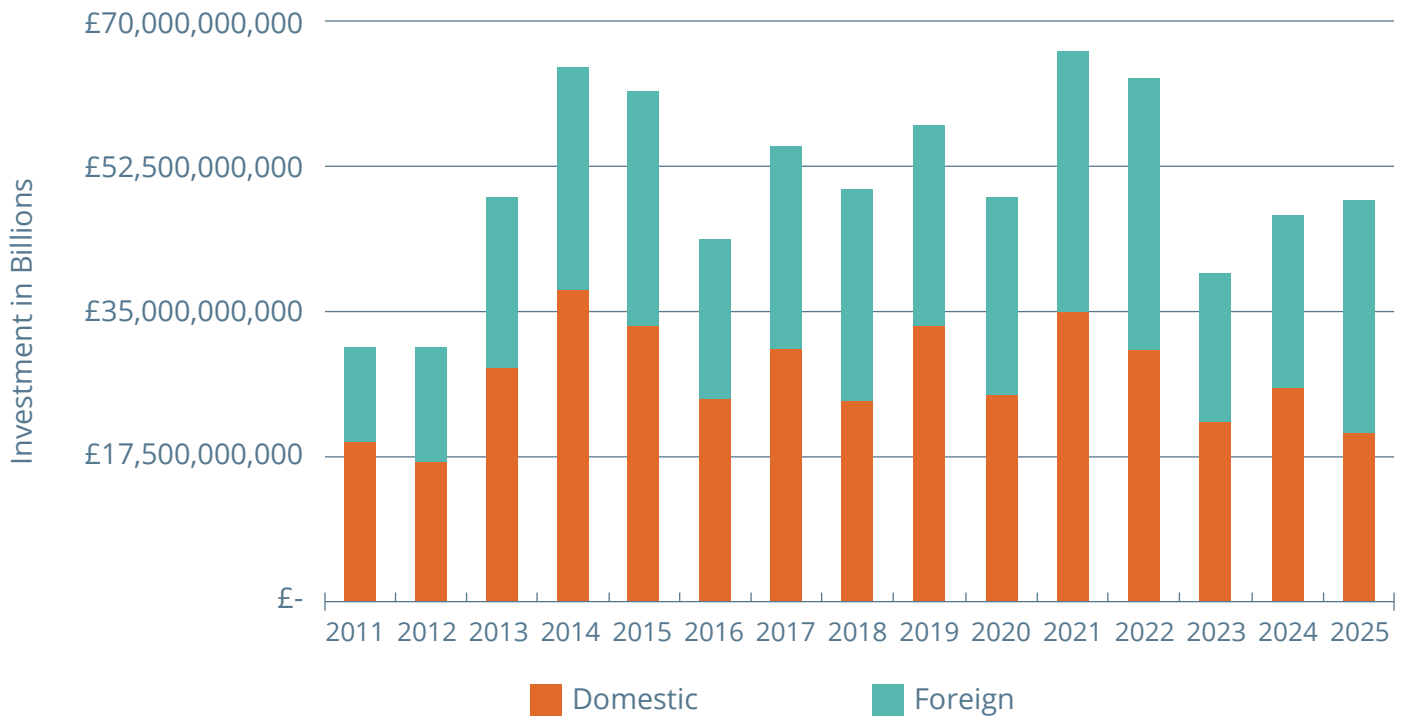


Chart 2: balance between domestic & foreign investment¹

Source: CoStar Group



But even stripping out these milestone transactions, the direction of travel is unchanged. US investors remain the driving force of overseas capital into UK real estate, driven by favourable currency conditions, weakening conviction in parts of their domestic market and unprecedented levels of undeployed private equity capital seeking scale, stability and long-term

income. In 2025 they made the US responsible for 73% of the combined value of all investments for the top ten investing countries. By comparison, the next nine largest country investors into UK real estate combined invested £6.9 billion – 37% of the US total, or 27% of the total amount invested by the top ten countries (see chart 3 overleaf).

¹ Includes only known or non-confidential buyers.

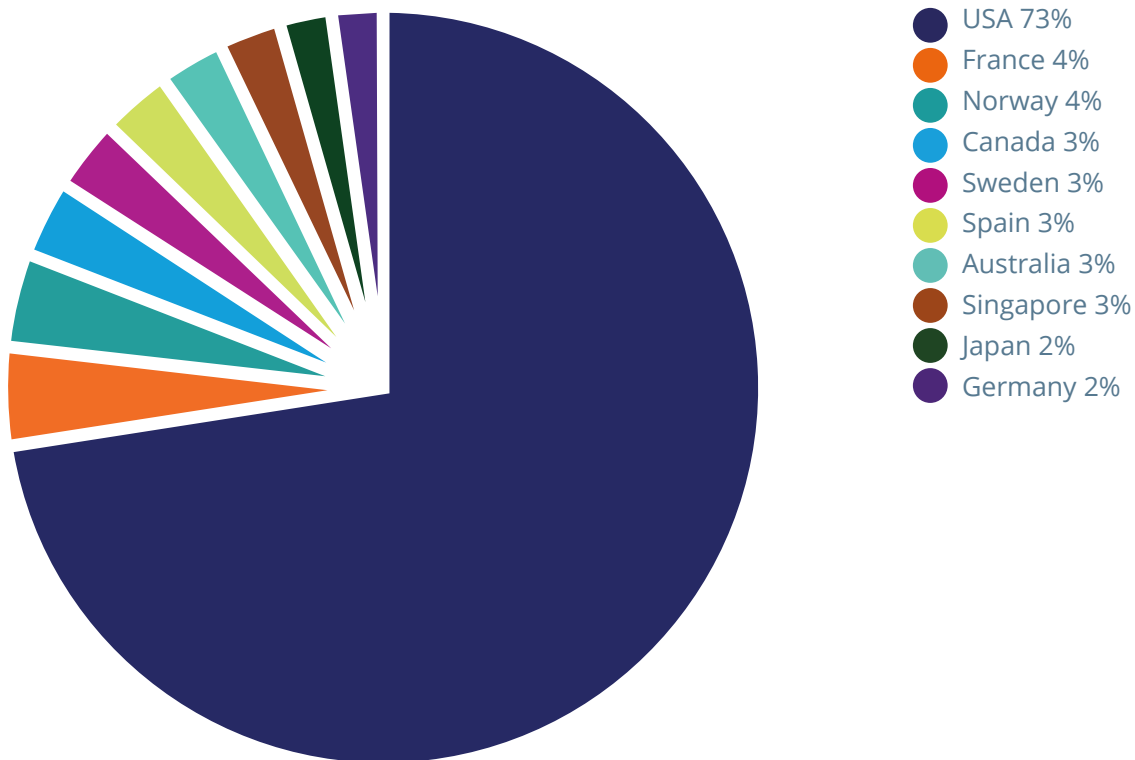
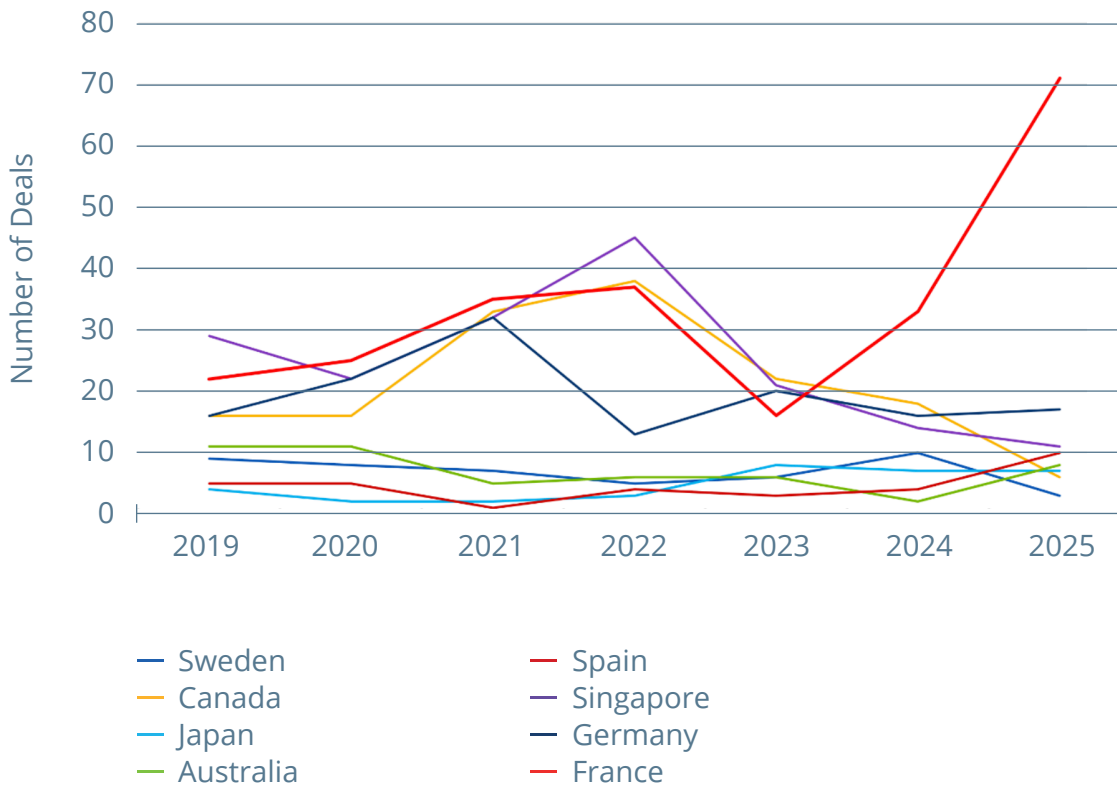


Chart 3: Top 10 investors into the UK by country, 2025

Source: CoStar Group



European investment also strengthened in 2025, though the drivers varied by capital source. French buyers again made their mark, deploying £1.1 billion, up more than 80% on 2023–2024 levels, led by SCPIs whose diversified, income-oriented strategies drove steady activity across the regions and a long tail of smaller lot sizes (see Graph 1 overleaf).



Graph 1: Investments by French SCPIs

Source: CoStar Group



Investment from the Nordics, by contrast, was shaped by big-ticket plays: Norges Bank invested £875 million for 25% stakes in Shaftesbury and Grosvenor’s mixed-use London estates, while Sweden’s Pandox acquired Dalata hotels in the UK and Ireland.

Spanish investors were active as well, pivoting away from offices to focus on London hotels and prime regional distribution warehouses.

Real Estate:UK Commentary

Hopes of stability from a majority government in the UK committed to development should have led to greater confidence from investors seeking development opportunities, and the UK's attractiveness for investing in existing real estate, whether in healthcare or housing, continued to support and even increase total inflows of capital, which was positive to see. It is possible that some of that investment was seeking a safe haven, as well as taking advantage of a good dollar to pound exchange rate.

Last year's report cautioned against a possible trade war with the United States as potentially undermining the greatest source of this investment, and this was avoided in the short term with the prospect of a trade deal, although clearly there is still uncertainty about the US administration's strategic direction. The caution therefore remains – it is vital that the Government seeks a stable trading relationship with the US, the biggest foreign investor into UK real estate.

At the same time, the Government should seek to diversify the UK's appeal internationally. One way to do this would be to showcase the UK's advantages to potential investors through Real Estate:UK's proposal to the Government to co-host an investment summit for real estate, building on previous investment summits held for other sectors of the economy in recent years. This would be a prime opportunity to demonstrate the breadth of investment opportunities, assets, and destinations, particularly outside London, where global capital would be welcomed and would be transformative for local economies.

Where are they investing (by sector and geography)?



- Offices and living sectors have performed well, although healthcare investment has been the most notable, particularly from US investors.
- Investors are buying property across the UK but this was increasingly through multi-region portfolio transactions, as opposed to single asset deals seen in recent years. While London remains resilient, particularly in new office demand, the diversity of demand in sheds, beds and 'meds' (healthcare), as well as data centres, demonstrates investor interest in several non-London UK regions.

Investment by sector

2024's story of a decline in logistics transactions continued in 2025. Retail saw a significant contraction after 2024's bumper year and offices staged a modest but meaningful revival (see chart 4, below). By contrast large healthcare transactions and continued growth in data centres and life sciences transactions (see separate sections) accounted for growth in the 'Mixed/other' category.

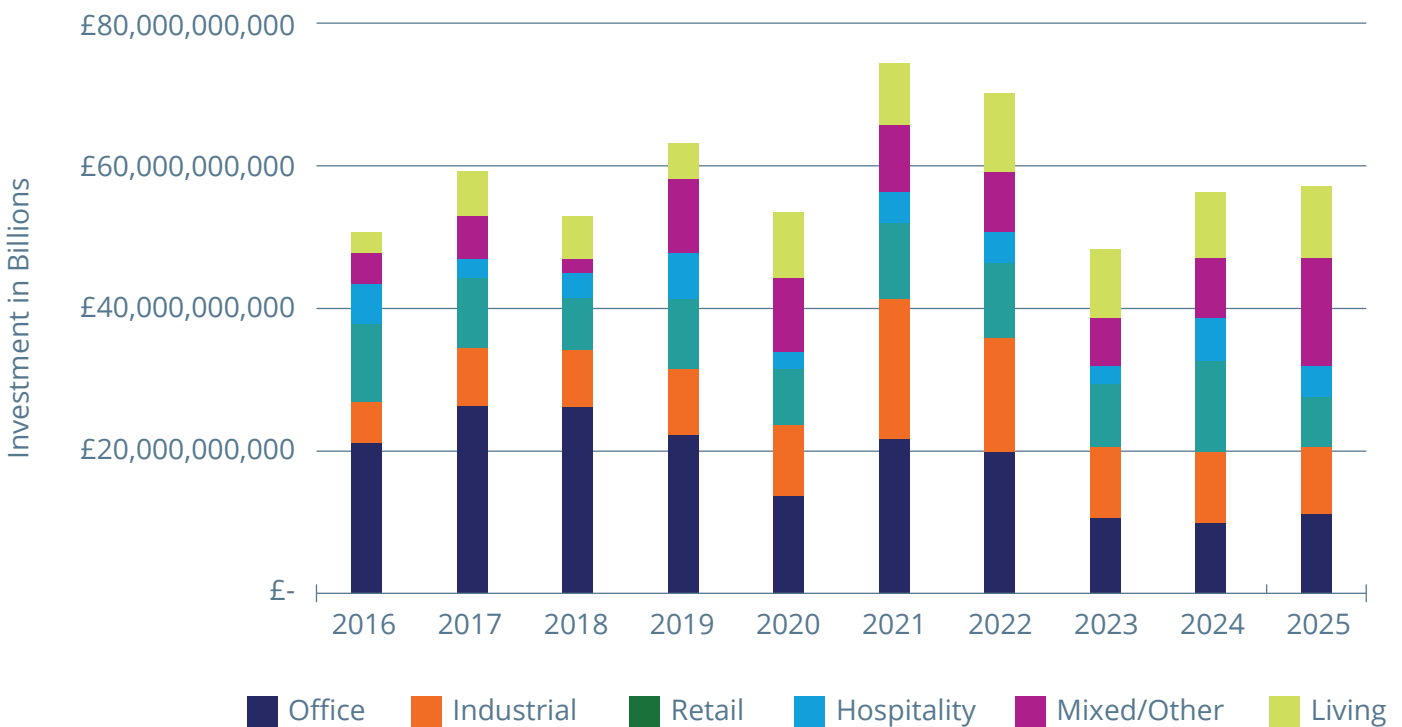


Chart 4: Investment by sector 2016-25

Source: CoStar Group



Office investment climbed to £11 billion in 2025, with overseas buyers accounting for roughly a third of the total, pushing volumes 6% higher than the previous two years. Yet this remains a far cry from the £20 billion-plus annual totals of 2021 and 2022, when investors from Singapore, South Korea and China/Hong Kong competed aggressively for London trophy assets. Asian capital has since pulled back, constrained by higher global financing costs, domestic refinancing pressures and tighter outbound capital controls.

Healthcare – included in the ‘Mixed/other’ category in chart 4 – was the standout operational sector, attracting nearly £10 billion of investment, much of it from overseas. While Welltower’s transformational acquisitions inflated the headline total, strong activity from other US players — including CareTrust REIT, Omega Healthcare Investors and KKR — confirms a deeper, structural conviction. Many investors see the UK’s rapidly ageing population, chronic care home shortages and consistently strong operational performance as a compelling defensive play offering stable, inflation-linked income and room for consolidation and platform growth.

In the wider living sector, build-to-rent (BTR) investment rose to a record £5.6 billion, fuelled by sustained appetite for forward-funding and a growing recognition among global investors that the UK’s shortage of professionally managed rental housing offers long-term resilience. BTR’s mix of dependable cashflows, scalability and operational upside made it one of the clearest beneficiaries of cross-border demand. A notable highlight was Slovakia’s Penta Living, which entered the UK market through a £700 million joint venture with Ballymore, underscoring the sector’s growing international reach.

By contrast, investor appetite for student accommodation cooled to a six-year low of £4.1 billion, despite solid occupancy fundamentals. After several years of heavy delivery, PBSA supply has reached a cyclical peak in a number of regional cities, while new fire safety regulations, escalating construction costs and rising compliance burdens have made underwriting more cautious.

Investment by geography

Excluding multi-region portfolios, the UK's regional markets attracted £17 billion last year, 23% below 2023-24 levels and 53% of all investment, the lowest share in four years. On the surface, this points to weakening regional appetite. However, the picture changes dramatically once portfolio trades are factored in. Multi-region portfolio transactions surged 70% to a record £25.1 billion, as both domestic and overseas

investors sought scale across sectors, benefiting from powerful structural tailwinds, notably healthcare, logistics and living.

Graph 2 below illustrates both the dominance of London and the increase in multi-regional portfolio deals last year. It will be interesting to see if the latter is a blip or the start of a trend.



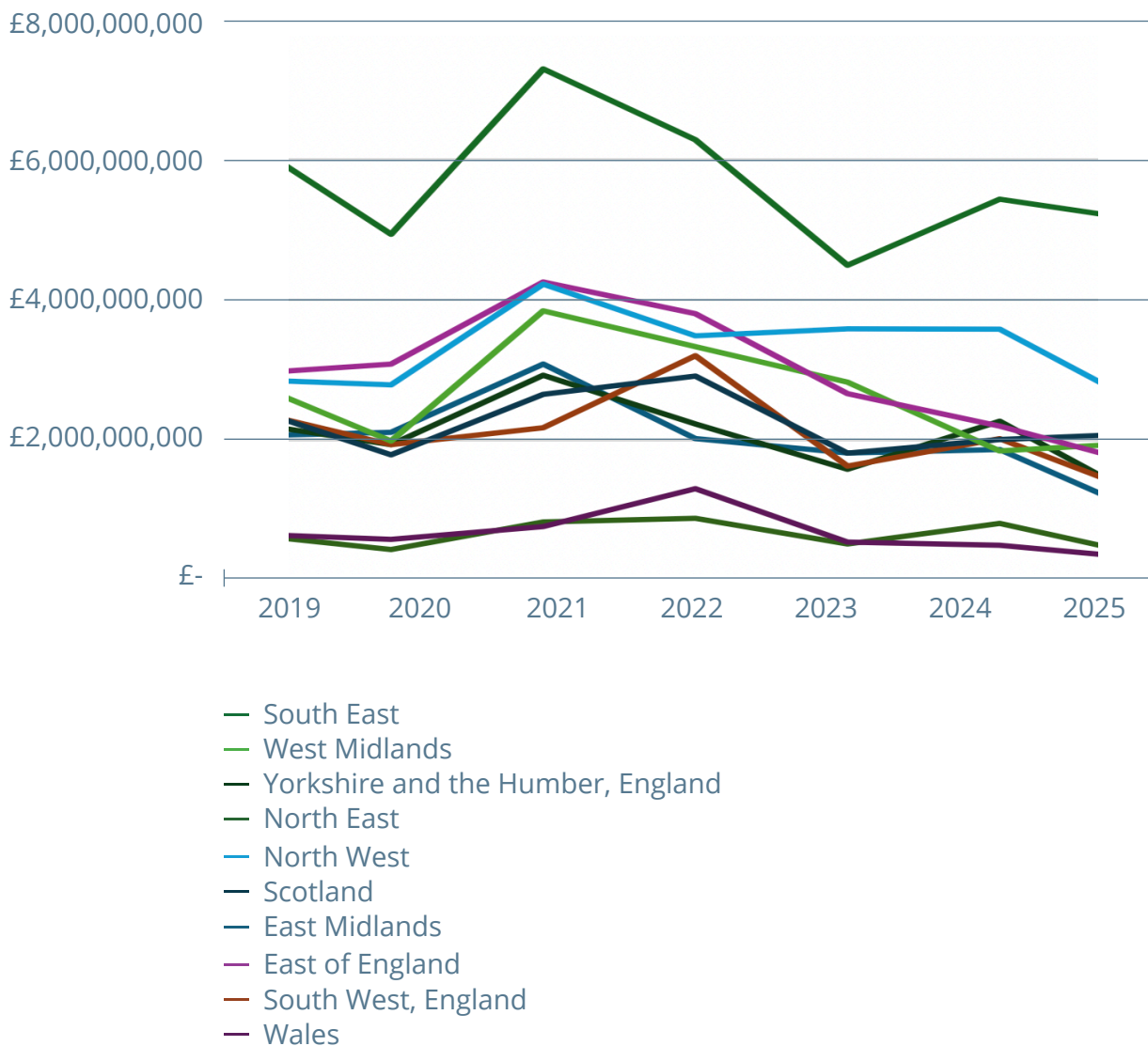
Graph 2: Transactions by UK region 2019-25

Source: CoStar Group



Graph 3 below shows the same data as graph 2 (on the previous page), but without the London and multi-regional data, enabling a clearer picture of the regional breakdown to be illustrated. A downward trend can be observed – in every single region there was a lower value of transactions in 2025 than in 2019.

The increase in multi-regional portfolio transactions does not fully offset this fall – caused by a range of factor including the increased cost of debt and structural changes in regional economies – meaning that UK regions appear to be relatively less attractive destinations for investment (notwithstanding some exceptions) than six years ago.



Graph 3: Transactions by UK region 2019-25 (excluding London & multi-region portfolios)

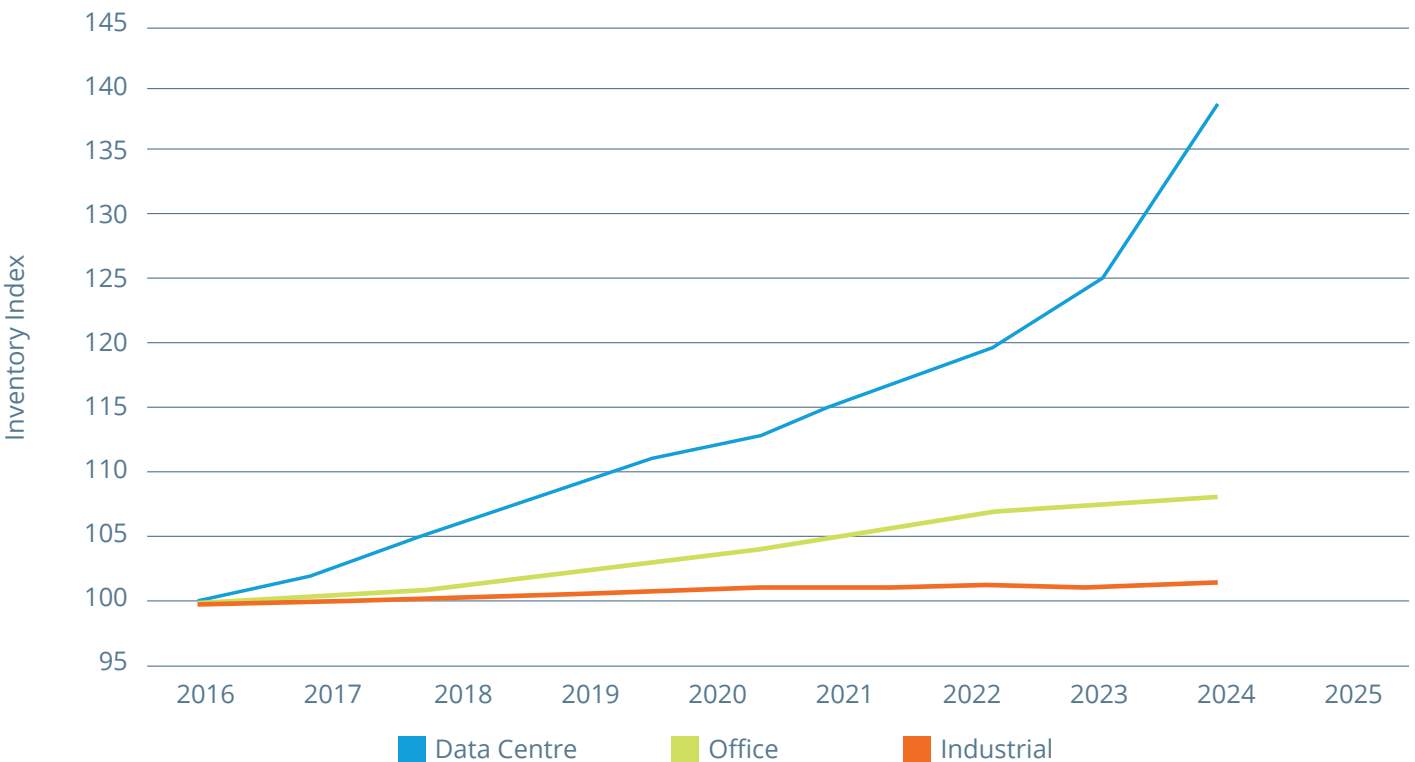
Source: CoStar Group



Data Centres Focus

- UK data centre inventory growth accelerates as demand increases from AI and global technology firms.
- London remains the largest data centre hub, but the Berkshire & North Hampshire market has grown the fastest.

Data centre inventory has grown by 40% in the last decade



Graph 4: Data centre inventory since 2016

Source: CoStar Group



AI adoption, the 5G rollout and supportive government policy are pushing the UK into its fastest-ever phase of data centre construction, particularly across London and the South East.

Over the past decade, UK data centre inventory has expanded by almost 40%, with the most rapid growth occurring in the past year as total stock rose by 12%. The fastest growing region was Berkshire & North Hampshire, which has added over 2.5 million square

feet of new data centre space since 2016. London followed closely with 2.4 million square feet delivered over the same period.

A major driver of 2025's growth was the opening of Google's 1.4 million square foot Waltham Cross data centre in Hertfordshire, part of the company's two year £5 billion UK investment programme.

Despite strong expansion in the Home Counties, London remains the UK's data centre capital. As of the end of 2025, the city accounted for more than 30% of total UK data centre stock. Tower Hamlets has been

the key focal point for development, hosting more than a third of London's inventory. Ealing and Heathrow remain important West London submarkets, each accounting for more than 10% of the city's stock.

London dominates the UK's data centre landscape

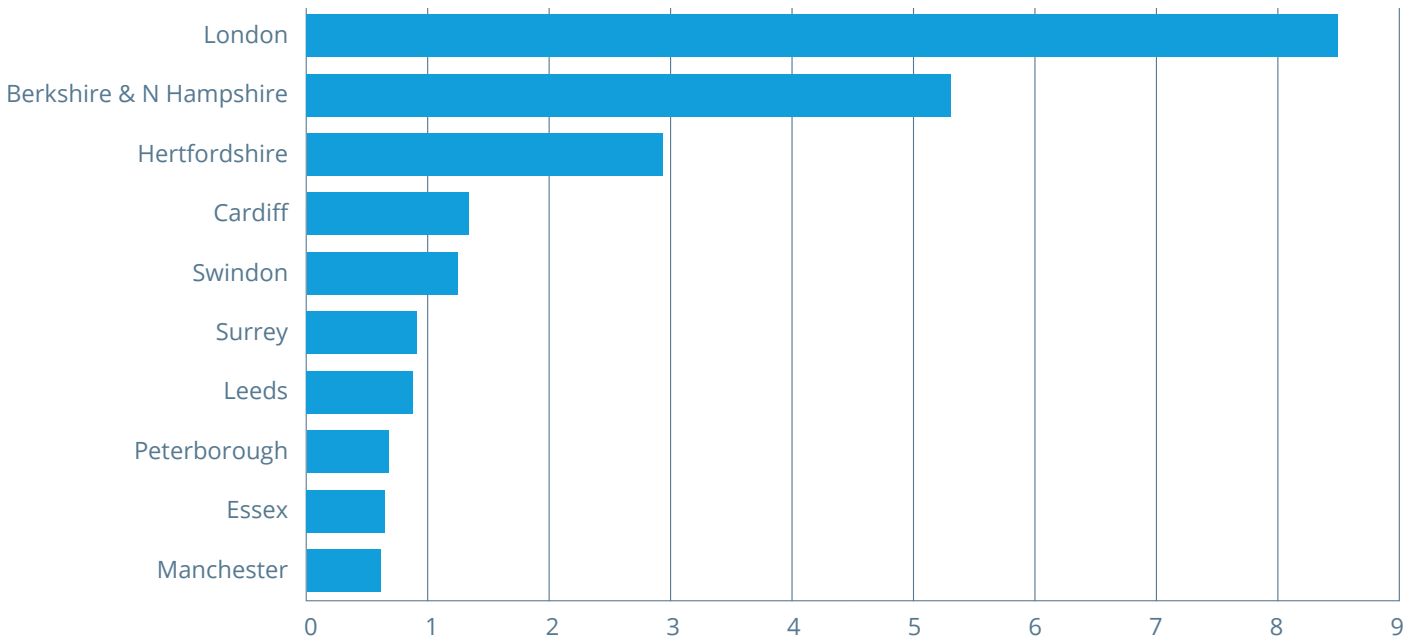


Chart 5: data centre inventory (square foot)

Source: CoStar Group



London is positioned to maintain its dominance. Roughly 4 million square feet of data centre space is currently under construction — more than the rest of the UK combined — with over 2 million square feet in Hillingdon and Ealing.

In one of the most significant data centre investments of the decade, Digital Realty has committed \$2 billion to a large UK megacampus. The Texas-based operator, which owns over 250 data centres worldwide, cited strong demand from fintech and cloudnative enterprises, proximity to key subsea cable landing points linking Europe with the Americas and Africa, and a favourable post-Brexit business climate as central to its decision.

Looking further ahead, the UK's development pipeline is broadening well beyond the capital. In the North

East, the proposed 5 million square foot Teesworks campus sits alongside QTS Data Centres' major hyperscale project near Blyth, reinforcing the region's emergence as a national growth hotspot. Scotland is also entering the frame, with Lanarkshire's AI Growth Zone attracting significant interest in digital infrastructure, while Buckinghamshire and Leeds are among the other markets attracting operator attention for future large-scale development.

Operators are increasingly looking beyond traditional hubs as constraints around power, land availability and planning in core markets make expansion into new regions essential for meeting the UK's accelerating AI and cloud-driven demand.

Portfolio activity was arguably the real engine of regional investment in 2025. Much of the £9 billion-plus ploughed into care homes by US buyers landed outside the capital. The industrial sector saw a similar pattern, with Tritax striking a £1 billion logistics deal with Blackstone and LondonMetric acquiring Urban Logistics REIT. In the living sector, Northern LGPS and Local Pensions Partnership Investments' £1.1 billion purchase of PRS REIT brought 71 sites across England, Scotland and Wales under new ownership, alongside a commitment to deliver 10,000 new homes over the next decade. Such deals ensured that, despite thinner single asset activity, significant amounts of capital still reached regional markets.

When looking solely at single-region deals, the South East and Scotland managed to buck the wider slowdown. Investment in the South East edged up 3% to £5.1 billion, supported by the Ellison Institute of Technology's £890 million purchase of Oxford Science Park — the largest lifesciences transaction ever recorded in the UK. Scotland posted a 10% rise in transaction activity, with its £2.1 billion driven by the sales of prime shopping centres, re-priced Glasgow offices and a surge of French SCPI capital targeting high-yielding assets, particularly industrials in Aberdeen.

London remained resilient, attracting £15 billion, just 4% below the 2023–24 average. A revival in appetite for big-ticket office deals underpinned this: nineteen £100 million-plus transactions completed in 2025, up from 11 in the previous year, including Hayfin's £330 million purchase of the Can of Ham.

Investor demand for London living assets and hotels also strengthened, the latter buoyed by international tourism, solid trading and RevPAR growth, particularly in the luxury segment. This renewed momentum helped offset a 40% fall in retail investment and a 50% drop in industrial transactions. For the first time in 12 years, less than £1 billion was deployed into London warehouses, reflecting rising vacancy, softer occupier demand and a widening mismatch between older stock and the requirements of modern industrial occupiers.

Outside these pockets of resilience, momentum weakened across most of the country. With the notable exception of the West Midlands, where retail and living sector volumes rebounded, investment fell sharply elsewhere. The slowdown was most pronounced in the East Midlands and North East, where volumes halved amid subdued office and industrial investment. However, as previously stated, these headline totals primarily reflect the absence of large single-asset trades. Much of the capital flowing into the regions in 2025 was captured within national portfolios, meaning that underlying investment activity was stronger than the headline regional figures suggest.

Life Sciences Focus

- UK Life Sciences demand reaches a new record, although vacancies continue to rise

UK life sciences demand reached a new record in 2025, with laboratory leasing rising to its highest level in at least a decade. Nearly 960,000 square feet of lab space was acquired nationwide, driven overwhelmingly by the Golden Triangle of Oxford, Cambridge and London, which accounted for almost 80% of activity — the largest share since 2017.

Oxford led the market by a wide margin, capturing more than 540,000 square feet of leasing, the highest annual total ever recorded. Activity was boosted by the Ellison Institute of Technology's landmark acquisition of approximately 450,000 square feet at The Daubeny Buildings, Oxford Science Park, a scheme set to deliver high-spec laboratory facilities across three buildings.

Lab space leasing strengthens across the UK

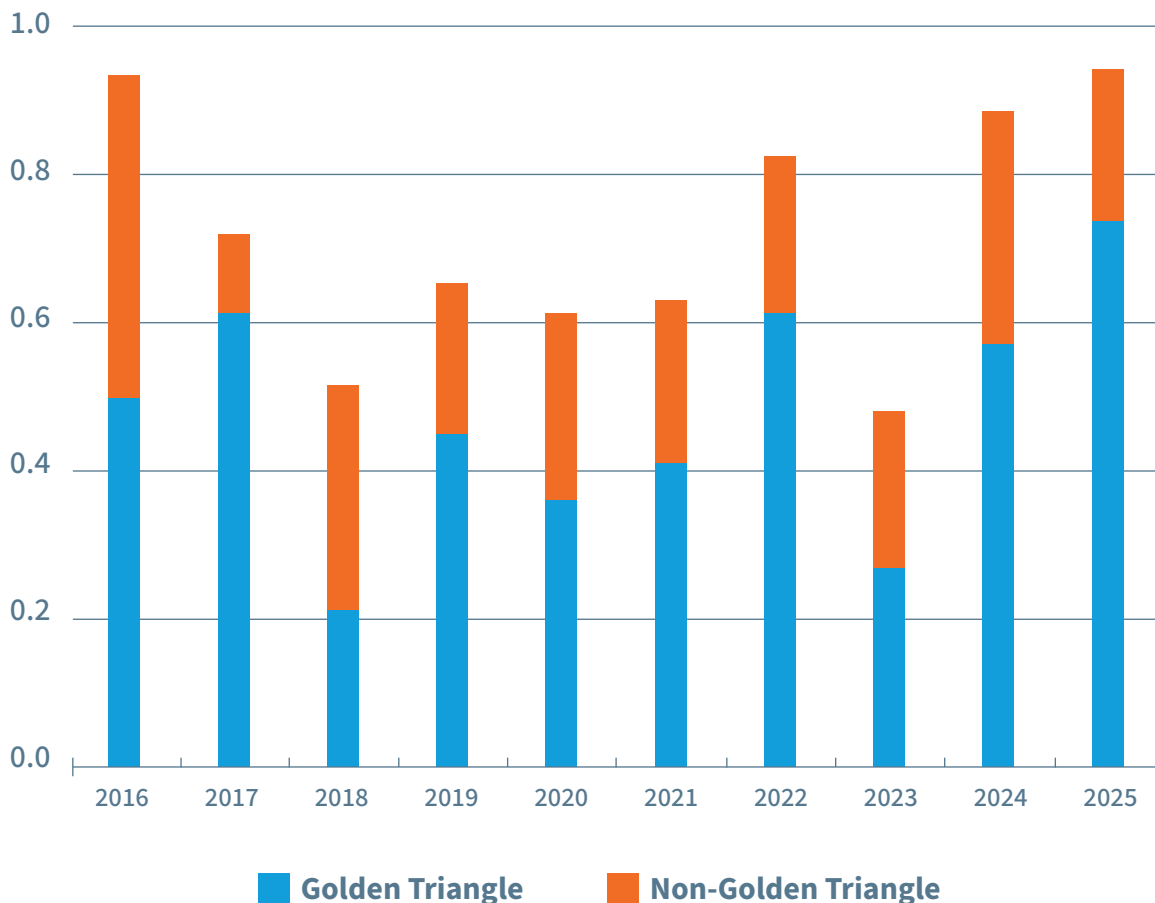


Chart 6: UK Laboratory space leasing (millions of square feet) over time

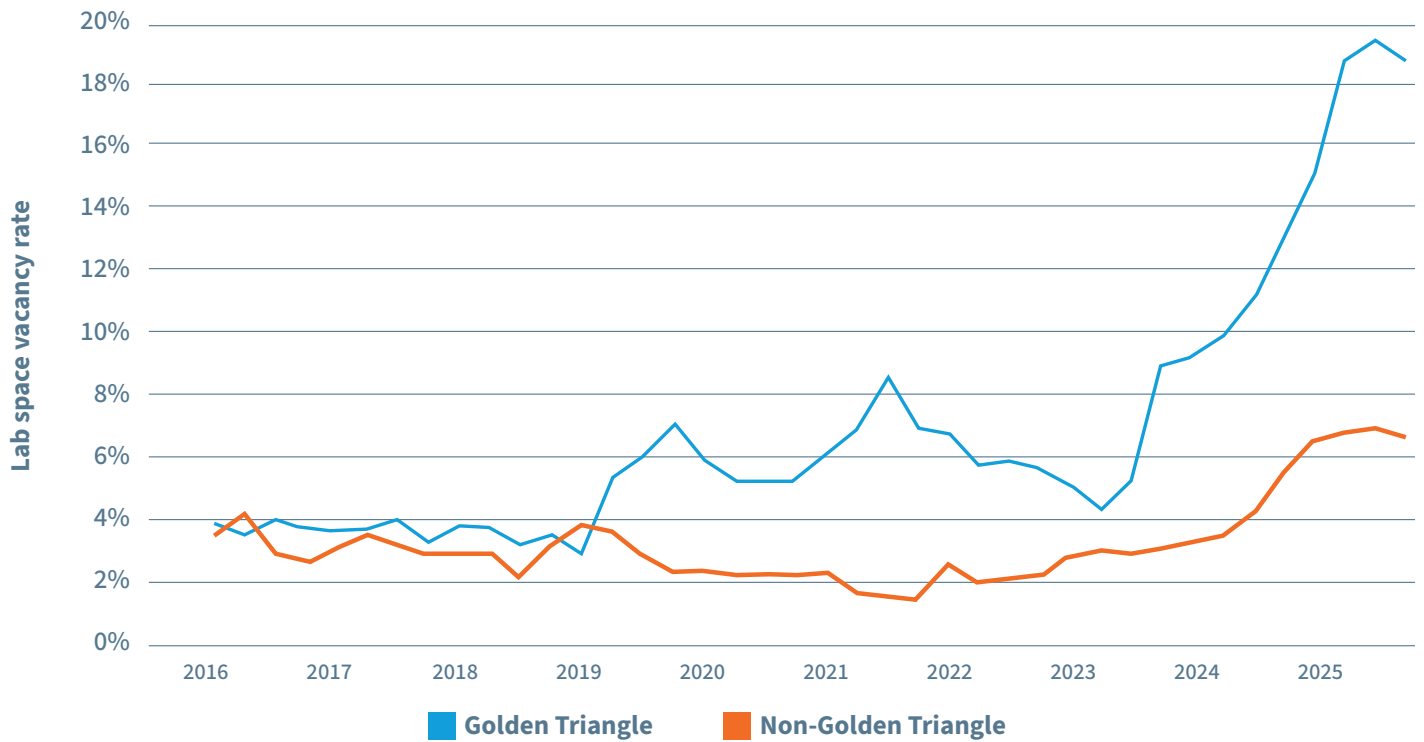
Source: CoStar Group



While activity beyond the Golden Triangle remained comparatively limited, several notable deals underscore growing interest outside traditional life sciences centres. The University of Birmingham acquired 51,000 square feet at the Birmingham Health Innovation Campus for a new medical training facility, the first building within a wider 675,000 square foot development pipeline.

Additional commitments included Convatec's nearly 48,000 square foot acquisition at Citylabs 4.0 in Manchester, and digital chemistry firm Chemify's pre-letting 40,000 square feet at Glasgow's Health Innovation Hub.

Golden Triangle vacancy has soared in the last 3 years



Graph 5: Lab space vacancy rate over time

Source: CoStar Group



Despite record leasing volumes, vacancies have climbed sharply, reaching 16.7% by late 2025, up from just 3.3% in early 2023. The increase has been fuelled by a development surge that delivered 2.3 million square feet of new lab space across the Golden Triangle over the past two years. Oxford accounted for the largest share of new completions with 1.3 million square feet (56% of the total), while Cambridge delivered almost 40% and London around 4%.

Looking ahead, demand is expected to remain resilient throughout 2026. Venture capital funding for life sciences strengthened in 2025 and is projected to remain healthy, supported by rapid innovation in AI-powered biotechnology, accelerated drug discovery, and advanced diagnostics.

Development activity, meanwhile, is likely to moderate. Geopolitical risks, economic uncertainty and rising construction costs have contributed to the slowdown in new projects.

UK lab construction starts fell to around 550,000 square feet in 2025 — the lowest level in over a decade — reducing the national development pipeline to 2.7 million square feet. Nearly a third of this space is concentrated in the Kadans Life Science Tower at One North Quay, Canary Wharf.

Even so, the fundamentals underpinning the UK's life sciences sector remain sound. Record leasing, robust investor appetite and the rapid integration of AI across biomedical research all point toward a sector entering its next phase of expansion. As new, best in class lab space reaches the market and regional ecosystems continue to mature, the UK is well positioned to maintain, or even strengthen, its status as a key life sciences innovation hub.

Quarter 1 2026 Addendum

- US buyers retrenched after spending big last year
- Investors return to office in quiet first quarter for UK investment

UK commercial property investment totalled £9.7 billion in Q1 2026. This was less than half the volume recorded in the exceptionally strong Q4 2025, when US investors deployed nearly £10 billion into healthcare assets, and nearly 40% below the five-year first-quarter average. Market conditions deteriorated towards the end of the quarter following the escalation of conflict in the Middle East, which unsettled financial markets and weakened investor confidence.

Overseas capital accounted for £3.6 billion, more than a third of Q1 investment, but inflows from the US eased sharply to around £1.5 billion following a bumper Q4. Japanese buyers were notably active in London and the South East, spending nearly as much as they did in the whole of 2025, while French SCPI funds continued to support regional activity.

Investment was led by the office sector, which attracted £2.9 billion, accounting for 30% of total volumes. Activity was concentrated in larger lot sizes in London and a small number of key regional cities. The capital saw five £100 million-plus office transactions, including Norges Bank's £285 million acquisition of the Fruit & Wool Exchange in the City, while BNY Mellon's £114 million purchase of 4 Angel Square in Manchester stood out in the regions.

Industrial investment totalled £1.8 billion, marking the sector's weakest quarterly outturn in nearly six years. The slowdown reflected a sharp fall in large distribution warehouse transactions and an absence of portfolio deals. The multi-let segment remained a relative bright spot, highlighted by Chancerygate's £155 million purchase of Manchester Airport's World Freight Terminal, a 'mission critical' asset offering reversionary income and value-add opportunities.

After a relatively busy end to last year, retail investment was subdued. At £1.2 billion, volumes halved from the previous quarter and were 60% below the five-year quarterly average. Redical's £290 million purchase of Merry Hill Shopping Centre in Birmingham, together with the next two largest deals, accounted for more than 40% of the sector's quarterly volume. Notwithstanding Ashtrom Properties' £103 million acquisition of Team Valley Retail World in Gateshead, investment into retail parks remained relatively weak, with many investors opting to hold onto assets in the strong-performing subsector.

Elsewhere, living sector volumes reached £1.8 billion, boosted by Unite Group's £723 million acquisition of Empiric Student Property, the largest deal of the quarter. Hotel investment totalled £1.2 billion, although rising energy costs and geopolitical uncertainty present near-term headwinds.

Real Estate:UK Commentary



London's historic dominance as a destination for global real estate investment continued last year. It remains the gateway to the UK in terms of attracting overseas capital due to its reputation and scale of opportunity. As the transaction data above indicates, growing sectors like life sciences and data centres reinforce the city's role in operating in a wider south east real estate ecosystem, whether as part of the life sciences Golden Triangle related to university research in Oxford and Cambridge, or as a location for data centres due partly to the city's proximity to transatlantic data cables, as well as the city's hub-status for the finance and tech sectors. That said, even this triangle itself operates in a far wider ecosystem that includes regional cities and economic geographies outside the south east.

Given the pre-eminence of London as a magnet for investment, it is vital that the Government, the Mayor and boroughs encourage a pro-development approach. 2025 saw housing starts fall, with an expected delivery of less than 10% of its annual target, according to the consultancy Molior. While the Mayor and the Government's 'Emergency Measures' package at least recognised the issue, it is doubtful that the package is enough to fully address challenging viability. Boroughs and the Mayor must go further in recognising that new development – not just housing – cannot bear planning obligations burdens as much as in the past given a near doubling of construction costs since 2018. Calls for rent controls also reduce BTR providers' willingness to invest in new homes – as seen in Scotland in recent years – and must continue to be resisted by the Government.

Looking beyond London, as the data shows, while the headline level of regional investment appears low, once multi-regional portfolio deals are accounted for, this rises. The approximately 70% increase in 2025 regional investment compared to the 2023/24 average seems to be skewed by a small number of very large deals and may not represent a trend. Indeed, if anything, the trend for regional investment appears to be downward, with every region seeing less investment in 2025 compared to 2019 once multi-region portfolios are accounted for.

This suggests that the Government needs to redouble efforts to promote and develop regional investment opportunities. Some of this will be done by the ever-increasing number of Mayors and possibly, in time, by larger units of local government following reorganisation. Real Estate:UK will work with the Government to help promote those opportunities.

Fundamentally, as with last year, factors mitigating development boil down to viability. In a world where construction costs have doubled in less than a decade and the cost of capital has increased significantly, there is far less ability for new development – which in time could be traded – to absorb the cost of planning obligations or process delays, meaning costs are either passed on to the end consumer or the development simply doesn't get built.

Conclusions

When considering overseas investment into UK real estate, it is important to bear in mind the distinction between the appetite to buy existing assets and the appetite to fund new development. Different considerations will drive these two distinct strategies, and headwinds against new development from increased build costs or planning delays will not necessarily affect investor willingness to buy existing property. The headwinds against new development set out in the introduction are thus only one factor in looking at the attractiveness of the UK as a destination. The data set out in this report provide a valuable insight into the other part of the real estate investment equation.

It is clear that, despite – or perhaps because of – global economic uncertainty, the UK has retained its favourable reputation as a place to invest capital, whether that's because of undersupplied markets

in, for example, later living, healthcare or purpose-built rented homes, or because investors believe the Government's growth ambitions will lead to more opportunities. At the time of writing, it is not clear how conflict in the Middle East will affect this, and the Q1 data ends roughly when the conflict started, so it is not yet seen in statistics.

Notwithstanding this uncertainty, much more needs to be done to promote the UK as a place to invest by countries outside the US, and to promote investment opportunities outside of London. Real Estate:UK stands ready to work with the Government on a strategy to maximise those opportunities, of which an international summit should be a part. We also want to work with the Government to remove the viability hurdles to development that are blocking further investment into UK real estate and will be publishing more on this during 2026.



The Collective Voice of UK Real Estate

An aerial photograph of a city skyline at sunset. The sky is filled with vibrant orange and yellow clouds. In the foreground, there are several railway tracks with overhead power lines. The middle ground is dominated by a large, modern building with a reddish-brown facade and a blue-tinted roof. Other buildings of various heights and colors are visible in the background. A teal-colored graphic element, consisting of several parallel lines, runs diagonally across the bottom half of the image.

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