

REVIEW

# UK LIVING MARKET

UPDATE Q4 2025

RESEARCH & INSIGHTS



**BNP PARIBAS  
REAL ESTATE**

Real Estate for a changing world



### MACRO OVERVIEW

**Autumn Budget:** The government's Autumn Budget came amid a period of economic uncertainty and political turbulence for real estate investors. Leasing conditions remained supportive of robust income growth, keeping pace with or surpassing long-term inflation. However, a cautious, wait-and-see approach characterised the investment market in 2025.

Most Budget policies were widely trailed, resulting in a muted market reaction. The Budget's moderately disinflationary stance reinforced expectations of at least two base rate cuts, one of which occurred in December, and the second which is expected in Q1 2026. At least for now investors have a clearer policy environment, along with improved fiscal headroom and lower-than-expected bond issuance. These factors should support the real estate investment market in the near term by stabilising rates volatility and extending the downward trend in the cost of capital.

**...but fiscal fears cloud the long-term outlook:** Nonetheless, the Budget fell short of easing concerns about long-term fiscal sustainability. Many tax increases were back-dated and aligned with the next General Election, and much of the additional spending was aimed at welfare and debt interest, which do little to boost growth or productivity. Above all, compared to the Spring Statement, borrowing was higher in almost every year of the OBR's forecast.

In short, the Chancellor's plans were not enough to convince bond markets that the public finances are on a structurally improved footing. The UK is not unique in facing fiscal pressures, but this is reflected in the persistently steep yield curve and the high forward projections for debt costs. This, combined with a narrow spread between property yields and risk-free rates, makes long-term real estate investment underwriting more challenging and exit assumptions less certain.

**Sectoral winners & losers:** The government's ongoing commitment to planning reform remains critical for UK real estate, aiming to make development less risky and more predictable, particularly in high-demand areas. This should support land values and spur new-build

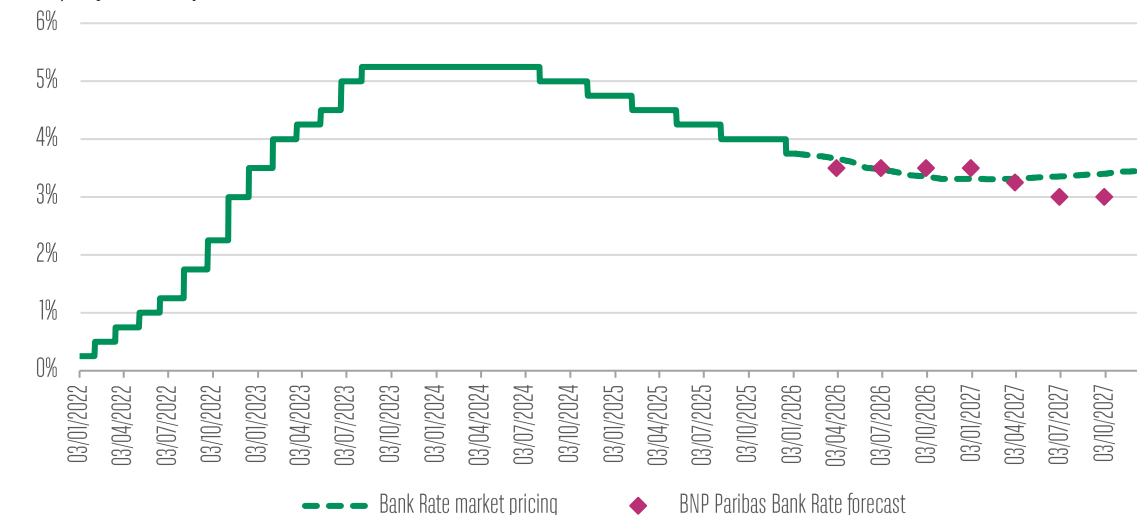
activity. The Office for Budget Responsibility forecasts a 30% rise in annual housebuilding by 2029, with 170,000 new homes annually by 2034-35, promising improved prospects for investors in residential and mixed-use sectors. While increasing planning capacity is a positive step, delivering on these ambitions remains a challenge. Business rates reform represents a significant structural change for commercial property, as highlighted by the draft 2026 ratings list and new multipliers for retail, hospitality, and large buildings. Industrial assets will experience some of the sharpest rate increases. Retail, hospitality, and leisure will benefit from lower multipliers, but even so, rental growth since the last revaluation, and the phasing out of pandemic-era relief, means some of these businesses

will still see their rates bills rise considerably over the next few years. Additionally, further increases in the National Minimum Wage and Living Wage, off the back of previous above-inflation rises, means salary growth remains a more consequential factor for many retail and logistics businesses' occupational strategies.

**The institutional residential sector emerges as a clear winner from the Budget.** Higher property income taxes for taxpayers are expected to exacerbate the current trend of landlords exiting the market, driving greater rental demand towards build-to-rent and other professionally managed rental sectors. As a result, rental income growth should stay strong, underpinned by ongoing wage growth, tight mortgage affordability, and rising working-age populations in major cities.

### UK Bank Rate Expectations, %

Market pricing as at 6<sup>th</sup> January 2026



Source: ICE, Bank of England, Macrobond, BNP Paribas Markets 360 forecasts

“The Autumn Budget contained no big surprises for the real estate sector, and stabilises a volatile economic backdrop, at least for now. This should help investment liquidity improve in 2026.”

Charlie Tattersall, Capital Markets Research



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# Q4 2025

## UK LIVING MARKET



### 4.4%

Average annual rental growth  
November 2025

Source: ONS



## BUILD TO RENT AND SINGLE-FAMILY RENTAL

**There was further evidence that steam had come out of the rental market in Q4 2025 with demand softening and rental growth slowing.** Zoopla reported that demand for rental homes has fallen by a fifth compared to last year, likely to reflect the fall in mortgage rates over 2025 allowing some renters, who had been locked out the housing market, the ability to purchase a property. The ONS rental growth index slowed from 5.5% pa in September 2025 to 4.0% in December 2025.

**However, there is little sign of improvement in terms of the development pipeline, with almost all relevant indicators pointing to a continued slowdown in the delivery of new homes.** The ONS reported in the Construction Building Materials commentary that brick deliveries decreased 6.1% and block deliveries decreased 11.5% in November 2025 compared to a year earlier. Elsewhere, Glenigan pointed to a 3% y/y decrease in housing project starts and a 38% y/y decrease in detailed planning approvals.

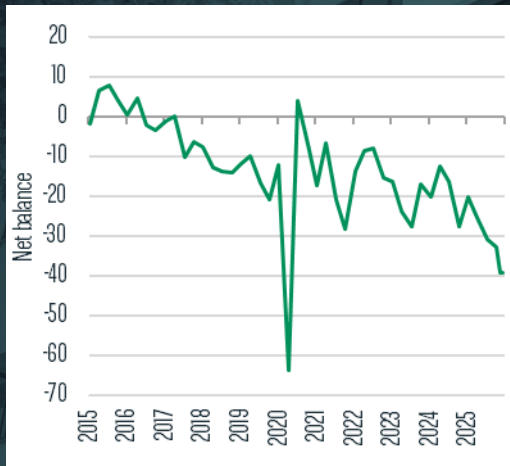
Additionally, the latest RICS Residential Market Survey continued to report that the net balance for new landlord instructions remains deeply negative; at its deepest level since April 2020. With the Renter's Right Act key changes taking effect in May, this trend of buy to let landlords withdrawing from the market is likely to continue, at least in the short term.

More positively, Molior London did note a significant tick up in new starts in London, whilst Glenigan highlighted that whilst overall national housing project starts were down, private apartment project starts increased 15% y/y.

With low levels of new build deliveries and fewer rental properties in the market, the demand supply imbalance in the rental sector is set to be a persistent aspect of the housing market. This structural feature is likely to support Living sector strategies over the medium term. This should continue to underpin rental growth albeit at more moderate levels than were experienced over the last 3 years.



### National, Net Balance, Landlord Instructions, SA



Source: RICS Residential Market Survey, Macrobond, BNP Paribas Real Estate



## INVESTMENT ACTIVITY

**Investment activity in the BTR and SFR sectors marginally increased in Q4 2025 to c. £1.4bn, taking annual volumes to £4.6bn.** Whilst this was 6% lower than the 2024 total, it was solidly above the 10-year average.

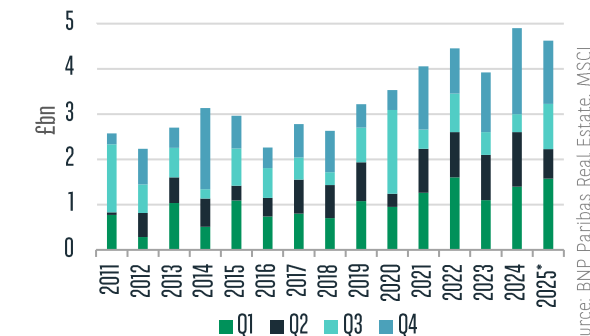
There were several deals in the SFR sector highlighting sustained momentum in activity in that subsector. The most significant was the purchase of PRS REIT Holding Company Ltd, the operating arm of PRS REIT, by Waypoint AM for c. £630m in Q4 2025. This transaction included c.5,470 single-family homes across the UK. Meanwhile, Long Harbour committed to forward-funding deals with Dandara in Horsham and Uttlesford, and with Miller Homes in Kent.

In BTR there were fewer transactions of note although Starlight Investments acquired a development in

Maidenhead from Countryside Properties and Heim Global Investors agreed a £130m forward funding of Oasis; a BTR development on Kent Street, Brimingham, with McLaren Living.

**The UK rental sector continues to remain a high priority for an increasing number of global investors who recognise the opportunities within the market.** In Q4 AustralianSuper, Australia's largest superannuation fund, announced the creation of a new UK Living platform with the ambition to deploy £500m over a 12-month period. M&G Investments announced its plans to invest £1bn into UK BTR on behalf of one of Asia's leading pension funds, and US Related Fund Management announced its' joint venture with Davidson Kempner to target living assets in the UK.

### Build to Rent, Single Family Rental and Co-Living Investment Volumes



Source: BNP Paribas Real Estate, MSCI  
\*provisional



# Q4 2025

## UK LIVING MARKET

“There is a bifurcation in the market with investors clearly recognising the improving demand fundamentals for purpose-built student accommodation in cities home to top-ranking universities, whilst viewing other locations as less certain or stable”

*Nick Robinson, Residential Capital Markets*



### STUDENT HOUSING

In the final quarter of 2025, the UCAS October application deadline data painted an optimistic picture for UK higher education. Despite all the concerns regarding the financial health of UK universities and impact of the changes to the visa system, this early indicator for the 2026/27 cycle is promising. Capturing applications for Oxford, Cambridge, medicine, nursing and veterinary courses, the UCAS data reported a 7.4% y/y increase in demand. This was driven by both domestic applications, up 5.6% y/y, and international applications up 11.5% y/y. Notably, it was the first time there had been a tick-up in demand from EU students since Brexit. Moreover, applications from India, China, US and Singapore all increased by more than 10% y/y.

Whilst concerns around demand for Purpose Built Student Accommodation (PBSA) persist, the demand picture varies hugely by location and tariff of university with the higher tariff establishments generally seeing a pick-up in demand whilst lower tariff universities experience a weakening in applications, translating into weaker demand for accommodation, including PBSA.

Turning to actual occupancy levels, StuRents noted that leasing velocity was down in November 2025 versus 2024, however suggest this is likely to be linked to students purposefully postponing bookings to await incentives which have been offered in recent years. Private PBSA bookings for the 2026/27 academic cycle was at 9.9% in November 2025 versus 11.2% a year earlier (source; StuRents). Unite Group Plc trading update Q4 2025 noted that 64% of beds had been sold for 2026/27; below the 67% at the same time last year.

**However, supply of PBSA remains low in many of the UK's top university towns and cities.** With a relatively low pipeline, focussed on only a handful of cities, the outlook suggests demand pressure could build in some locations. Additionally, the Renters' Right Act could lead to a reduction in supply in the Houses of Multiple Occupation (HMO) market, which could exaggerate this supply and demand imbalance. Whilst this could boost rental growth, it is likely that occupancy and affordability will be a key focus for PBSA owners and operators throughout 2026.



### INVESTMENT ACTIVITY

**Investment volumes in the PBSA sector were muted in Q4 2025 totalling c.£510m.** This took annual volumes to c.£2.8bn which was higher than the two years preceding. Investment activity included a mix of forward-fundings, portfolio deals and standing stock transactions.

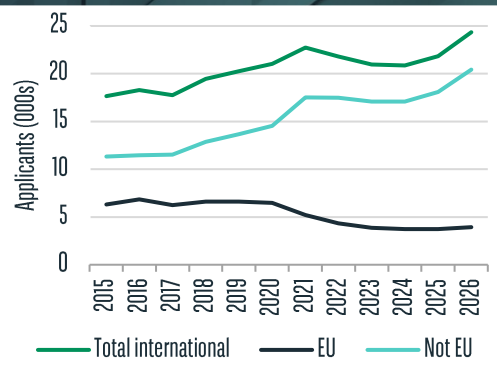
The Legal and General forward funding deal at Upper Brook Street in Manchester, with McLaren Property, was one of the largest deals of the quarter. The scheme is set to deliver 737 student beds close to the University of Manchester.

AustralianSuper made their first UK portfolio acquisition into their new Living platform, in Q4 2025. The purchase of a six-asset portfolio of PBSA from Harrison Street included 1,616 student beds across six UK cities, all, bar one, home to Russell Group universities. This

trend of investors increasingly focussed on PBSA close to Russell Group or top-ranking universities has highlighted a bifurcation in the UK higher education system with investors clearly recognising the improving demand fundamentals for those establishments, whilst viewing other locations as less certain or stable.

Throughout 2025 the UK PBSA market continued to see large loan facilities agreed across schemes and this trend continued in Q4. This is a strong indicator of sentiment and appetite from lenders towards this sector. Puma Property Finance provided a £58m development loan to MRP for the delivery of 432 beds in Glasgow, Cerberus Capital Management has provided a £100m+ refinancing deal to Partners Group and Host Student Housing, and Eldridge Real Estate Credit provided £146.1m development loan to Vita to deliver an 861-bed scheme in Manchester.

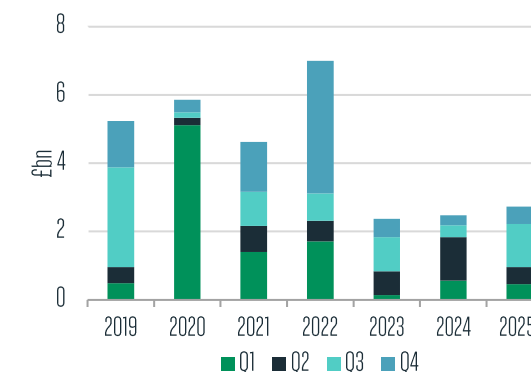
International Applicants  
October 2025 deadline



UCAS

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Purpose Built Student Accommodation Investment Volumes



BNP Paribas Real Estate, MSCI  
\*\*provisional



# Q4 2025

**KEY  
LIVING  
SECTOR  
ACTIVITY**

INVESTOR	LOCATION	DETAILS	SECTOR	DATE
AustralianSuper	National	Acquisition of six asset Harrison Street purpose-built student accommodation portfolio; 1,616 beds	Student	Dec-25
Legal & General	Manchester	£160m forward funding of Upper Brook Street with McLaren Property at Upper Brook Street; 737 beds	Student	Dec-25
MCR Property Group	Sheffield	Acquisition of The Moor in Sheffield city centre for £18m; 126 beds	Student	Nov-25
Henderson Park	Edinburgh, Glasgow	c.£45m forward funding of two projects with Alumno Group; 453 beds	Student	Nov-25
Aprirose	Reading	Acquisition of Central Studios purpose-built student accommodation for c.£20m from Aviva; 141 beds	Student	Oct-25
Gamuda Land	London	Acquisition of a site in Stratford for a purpose-built student accommodation; 321 beds	Student	Oct-25
Centurion Corporation	London	Acquisition of a site in Euston for a purpose-built student accommodation for £41m; 225 beds	Student	Oct-25
Invesco Real Estate	Cambridge	Forward purchase of build-to-rent scheme in Marleigh Park, Cambridge from The Hill Group for £40m; 109	Build-to-Rent	Nov-25
Heim Global Investor	Birmingham	£130m Forward funding of Oasis, a build-to-rent development on Kent Street, Birmingham with McLaren Living; 456 homes	Build-to-Rent	Nov-25
Starlight Investments	Maidenhead	Acquisition of a build-to-rent development from Countryside Properties, a subsidiary of Vistry Group; 255 homes	Build-to-Rent	Oct-25
Long Harbour	Horsham, Uttlesford	Forward funding of single-family homes with Dandara across two sites; 193 homes	Single-family	Dec-25
Long Harbour	Kent	Forward funding of single-family homes with Miller Homes; 111 homes	Single-family	Dec-25
Waypoint AM	National	Acquisition of the PRS REIT Holding Company Ltd for c.£630m; 5,425 homes	Single-family	Dec-25
Lloyds Living	National	Acquisition of a single-family portfolio from TPG Real Estate and Gatehouse Living Group; 610 homes	Single-family	Oct-25
Target Healthcare	Scotland	Acquisition of a 3-asset portfolio and a forward purchase of a fourth care home for £45m	Care Homes	Dec-25
Undisclosed	NW England	Acquisition of 12 care homes assets and operational platform from Athena Healthcare Group	Care Homes	Dec-25
Octopus Capital	Radcliffe / Peterborough	£30m forward funding of two purpose-built care homes with Synergy Care; 152 beds	Care Homes	Nov-25
Welltower	National	Acquisition of Barchester Healthcare for c.£5.2bn; deal includes c.1,614 care home beds	Care Homes	Oct-25
NatWest Group Pension Fund	National	Acquisition of L&G's 50% share in Inspired Villages JV	Senior Living	Oct-25

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Q4 2025

UK LIVING MARKET



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Q4 2025

UK LIVING MARKET



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