

REVIEW

UK LIVING MARKET

UPDATE Q1 2026

RESEARCH & INSIGHTS



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REAL ESTATE**

Real Estate for a changing world



“Inflation expectations have understandably jumped since February, but on the other hand the jobs market has weakened. This creates a dilemma for the Bank of England trying to prevent an energy-driven price spike from fuelling a more persistent inflation spiral”

Samuel Duah, Head of Real Estate Economics



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MACRO OVERVIEW

The economic outlook for the UK has been materially altered by the ongoing crisis in the Middle East.

Energy costs remains elevated and this is affecting consumer and business confidence. Recently released Gfk survey data shows that consumer confidence has fallen, while the composite PMI index declined more than expected in March, signalling a slowdown in domestic demand. More worryingly for the Bank of England (BoE), inflation expectations have jumped.¹

As such, it is expected that UK GDP growth to be materially lower this year than the 1.1% previously forecast. This assumes that even if the conflict stops now, its effect will linger, at least through the first half of the year.

Labour Market - Stabilised: Demand for labour by UK employers continues to weaken, with the latest data indicating that the number of employees on payrolls fell by 0.7% in February. On the other hand, the number of jobs vacancies in the economy has stabilised, with the rate of redundancies ticking back down. These shows that parts of the labour market have stabilised following a prolonged period of weakening.

These developments are reflected in falling wage growth. Private sector earnings growth, excluding bonuses, almost halved over the course of 2025. This is supportive of a cut in policy rates all things been equal, creating a dilemma for the BoE, with conflicting market forces pulling monetary policy in different directions.

Inflation - Pressure Building: The 3.3% inflation in March, shows the first effect of the energy price shock, with the disinflationary trend now thrown off course.

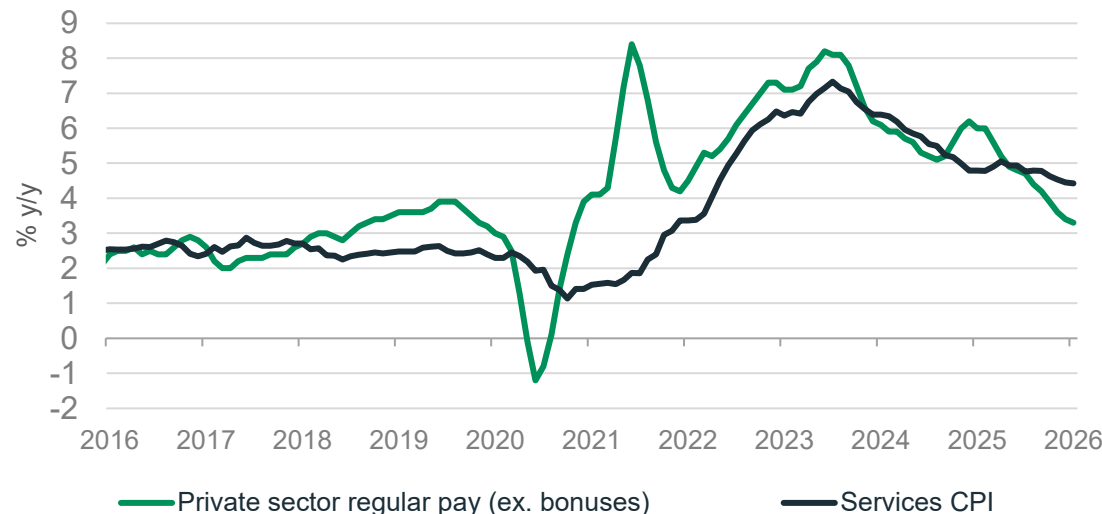
Indeed, the spike in energy costs has already pushed fuel prices higher. It is now expected that inflation will remain above target for longer.

The BoE's response will depend on the severity and duration of the shock, but rate cuts now look unlikely. Now, with inflation flaring up again, attention has swung to the possibility of 2-3 rate hikes to prevent an energy-driven price spike from fuelling a more persistent inflation spiral. However, the central bank may instinctively prefer to look through the shock, given the inherent weakness in the wider economy.

Borrowing costs across the economy have already adjusted - government bond yields have climbed to multi-year highs, while the swap rates used to price mortgages have increased by 20-30% since February.

For real estate, that means the earlier case for further prime yield compression has weakened materially. The fact that the 10-year Gilt briefly breached 5% for the first time since 2008 is financially important as well as symbolically; it sharpens scrutiny on low real estate risk premia and reinforces the view that, at best, pricing is now likely to be stable rather than meaningfully firmer this year.

Private sector wage growth has almost halved since 2024



Source: ONS, Macrobond. Data shows 3-month average

¹UK inflation expectations surge in new worry for Bank of England | Reuters



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3.4%

Average annual rental growth
March 2026

Source: ONS



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BUILD TO RENT AND SINGLE-FAMILY RENTAL

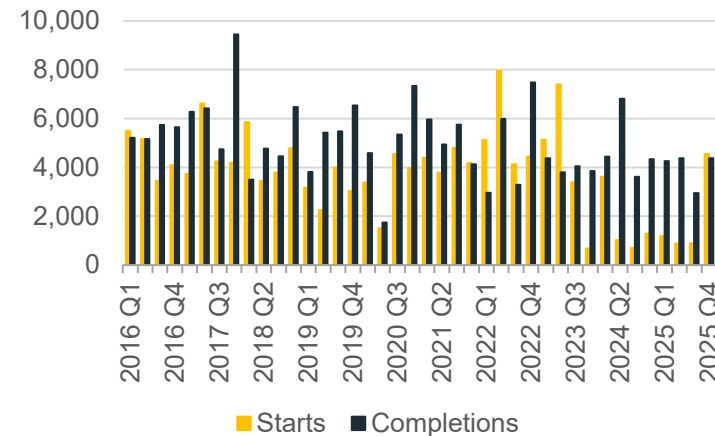
The UK Build to Rent (BTR) and Single-Family Rental sector (SFR) faced challenges against a volatile geopolitical backdrop in Q1 2026.

Viability pressures, which remain a firm headwind, have contributed to a slowdown in the pipeline of new homes. Factors including higher construction costs, borrowing costs and planning delays are all playing a role. According to the BPF new starts in Q1 2026 were down 65% compared to a year earlier; reflected in London as well as the regional markets. There have also been delays in starting on site in London linked to the Gateway process, although this has improved over the last nine months. The Government announced emergency measures in March 2026 to accelerate housebuilding in London, with the aim of unlocking stalled sites and to build thousands more affordable homes.

Nonetheless, the latest RICS Residential Market Survey noted a continued decline in landlord instructions and whilst supply looks to remain tight over the short and medium term, there continues to be demand for homes to rent. UK average annual rental growth was 3.4% in March 2026, down from 3.9% at the end of 2025.

Recent increases in mortgage rates could lead to another tick-up in demand as would-be first-time buyers find themselves priced out of the market. This points to sustained pressure on rents in the sector, although rental growth is expected to be more moderate due to affordability pressures and the Renters' Rights Act which is coming into force on the 1st May 2026.

Housebuilding; London Seasonally adjusted



Source: MHCLG, BNP Paribas Real Estate



INVESTMENT ACTIVITY

Despite a significant level of uncertainty in Q1 2026, investment activity across the BTR, SFR and Co-Living sectors held up fairly well, at c.£800m.

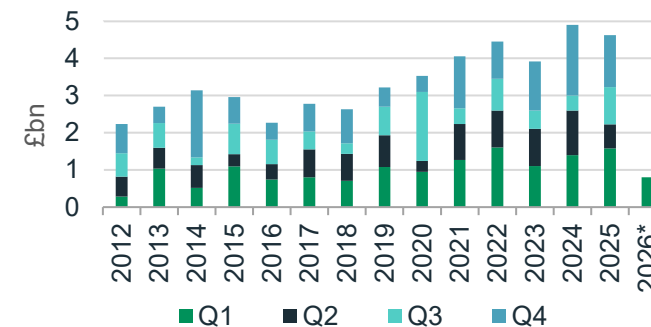
Pension Insurance Corporation's acquisition of a large, 598 homes, operational Build to Rent asset in Reading from Lincoln Property Company joint venture with MGT Investment Management for c.£200m was the largest BTR deal of Q1.

Elsewhere, Kennedy Wilson in their partnership with Canada Pension Plan Investment Board agreed to acquire 788 SFR homes across ten

transactions, for c.£300m.

Overall, the backdrop now points to lower transaction activity in UK real estate this year than it otherwise would have been. Weaker growth, higher energy costs and fragile confidence will weigh on some sectors, however those that offer secure income underpinned by supply constrained markets, should continue to present opportunities for investors. This has been consistently highlighted by the rising levels of demand from both domestic and overseas investor for UK BTR and SFR over the last year.

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



Source: BNP Paribas Real Estate, MSCI
*provisional



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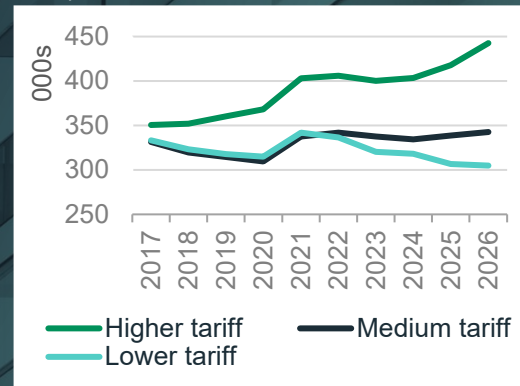


-10%

Decline in postgraduates
2024/25 vs. 2022/23

Source: HESA

No. of Applicants by provider category January 14th 2026 deadline



UCAS

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STUDENT HOUSING

Whilst there continued to be evidence of softening demand for UK higher education in Q1 2026, several markets are experiencing robust demand as the flight to quality by both domestic and international students continues. This divergence was reflected in the UCAS application statistics from the January 2026 deadline. It showed a 5.9% y/y increase in applicants for higher tariff universities, whereas applicants for lower tariff declined -0.6% y/y.

Across Purpose-Built Student Accommodation (PBSA) the softer demand, which can be partly tied to changes in visa rules for international postgraduates, as well as domestic students choosing to live at home, has led to lower levels of occupancy in some locations. This was noted by Unite plc who reported occupancy at the lower end of their guidance of 93%-96% in Q1 2026.

There are a number of other headwinds that the sector faces including the impact of the Renters' Rights Act. Whilst it excludes PBSA, it could lead to students choosing HMO accommodation which will allow them more flexibility.

However, undergraduate application data for the UK's top tier universities remains robust, and structural supply shortages of PBSA in some locations, points to a positive outlook for occupancy. Indeed, the delivery of new PBSA remains constrained by high construction costs, planning delays and the cost of borrowing.

Moreover, just as Q1 ended, the Government announced the return of Erasmus+, the EU's exchange programme to support education in Europe, in 2027 which should act as a boost to demand for UK higher education.



INVESTMENT ACTIVITY

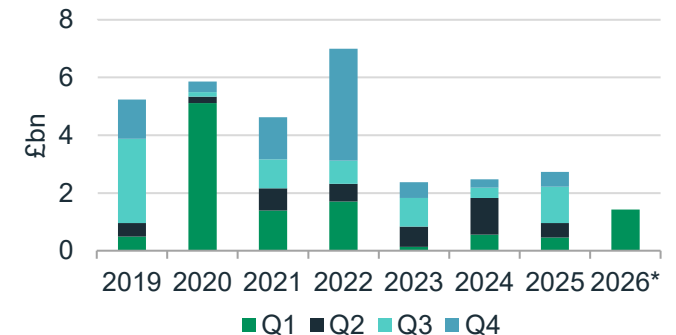
Investment into the PBSA sector totalled c.£1.5bn in Q1 2026. This was the strongest Q1 since 2022, however was boosted by the acquisition of Empiric Student Property, by Unite plc, for c.£1.15bn. This included 7,700 student beds across 22 different cities.

Whilst the Empiric purchase dominated volumes, there were several other noteworthy transactions that occurred. Harbert European Real Estate purchased Limelight in Liverpool from Blacklight Capital Partners. Ottoway Portfolio Holdings purchased two PBSA assets in Bristol from

Harrison Street and MCR Property Group acquired Parnham Student Village in Canterbury, with plans for a full-refurbishment of the 606-bed scheme. MCR also launched Flow Student in Q1 2026; its own student accommodation platform with ambitions to grow it from a 6,000-bed platform to a 15,000-bed portfolio by the end of 2026.

Investment activity in the sector predominantly remains focussed on well-located assets within cities and towns in the UK home to top academic establishments.

Purpose Built Student Accommodation Investment Volumes



BNP Paribas Real Estate, MSCI
**provisional



Q1 2026

KEY
LIVING
SECTOR
ACTIVITY

INVESTOR	LOCATION	DETAILS	SECTOR	DATE
Unite Group	National	Acquisition of Empiric Student Property; 7,700 beds across 22 cities; c.£1.15bn	Student	Jan-26
Curation Capital / Patron Capital	Belfast	Joint Venture acquisition of Alma Place student accommodation in Belfast; 393 beds	Student	Jan-26
MCR Property Group	Canterbury	Acquisition of Parham Student Village for full-refurbishment; 606 beds	Student	Jan-26
Schroders	Guildford	Acquisition of a purpose-built student accommodation from CKC Properties for c.£16m; 99 beds	Student	Jan-26
Places for London	London	Forward sale of Southwark Student Scheme to Helical JV with Places for London; 429 beds	Student	Feb-26
Legal and General	Southampton	Acquisition of purpose-built student accommodation from Brookfield Europe for c.£43m; 245 beds	Student	Mar-26
Harbert European Real Estate	Liverpool	Acquisition of purpose-built student accommodation from Blacklight Capital Partners; 535 beds	Student	Mar-26
Ottoway Portfolio Holdings	Bristol	Two-asset acquisition from Harrison Street Asset Management; 491 beds	Student	Mar-26
Kennedy Wilson / CPPIB	National	Acquisition of single-family homes across 10 transactions from a variety of housebuilders for £300m; c.788 homes	Single-family	Mar-26
Principal Asset Management	London	Forward funding of Taylor Wimpey's Build to Rent scheme in Earlsfield and acquisition of The Clapham from Countryside partnerships and Metropolitan Thames Valley Housing; c. 196 homes	Build to Rent	Jan-26
Grainger plc	London	Forward funding of scheme at Bollo Lane, Chiswick Reach as part of Grainger's JV with Places for London for £68.4m; 290 homes	Build to Rent	Jan-26
LRC Group	Hounslow	Acquisition of Build to Rent block in Hounslow from Europa Capital for c.£50m; 118 beds	Build to Rent	Feb-26
Greystar	National	Acquisition of third-party residential manager, Native Communities from Ares Real Estate, Guy Nixon and shareholders; 9000+ homes	Build to Rent	Mar-26
PIC	Reading	Acquisition of fully operational Build to Rent scheme in Reading from Lincoln Property Company JV with MGT Investment Management for c.£200m; 598 homes	Build to Rent	Mar-26
Delta Real Estate and Cassidy Group	London	Site acquisition at Wembley from Quintain with proposal for a coliving scheme; 386 homes	Coliving	Mar-26
Belvedere Care Group	Nottingham	Acquisition of Bramcote Hills Care Home from My Care; 63 beds	Care Home	Feb-26
US-based REIT	West Midlands	Acquisition of two purpose-built care homes in Sutton Coldfield and Brierly Hill; 158 beds	Care Home	Feb-26
Clarendon Group	Carlton	Acquisition of Moriah House Care Home; 50 beds	Care Home	Feb-26
Welford Healthcare	Gloucester	Acquisition of Park View Care Home for c.£17.5m; 97 beds	Care Home	Mar-26



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