UK BTR market update

Q2 2026

Knight Frank's quarterly review of the key investment themes in the UK Build to Rent (BTR) market covering Co-Living, Multifamily (MFH) and Single Family Housing (SFH)

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More than £2 billion was invested in the second quarter.

Record volumes, selective activity

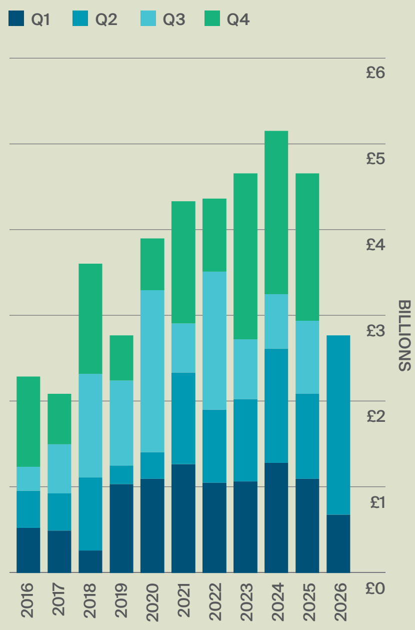
UK BTR investment volumes topped £2 billion in the second quarter of 2026, making it the largest individual quarter on record for spend. It follows a relatively muted start to the year but takes investment volumes for the first half to £2.76 billion, comfortably ahead of 2025, and even ahead of the mid-way point of the record-breaking year for investment in 2024. While this underlines the depth of capital targeting the sector, pricing remains a challenge for new opportunities, with gaps between buyer and seller expectations continuing to extend transaction timelines. Indeed, record volumes should not be mistaken for a broad-based recovery in market activity. Transaction numbers remained broadly in line with long-term averages, with 14 deals completing in Q2. Instead, investment spend was driven by a small number of large transactions.

Capital concentrated

Beneath the headline figures, activity was concentrated among a small handful of large assets, with two of the 14 transactions completed in Q2 accounting for £1.5 billion of volume. This included the completion of Morgan Stanley and Ridgeback's purchase of the L&Q portfolio for more than £1 billion, and Greystar's purchase of 912 units from CPP at Elephant Park for approximately £500 million. Some 29% of transactions in the second quarter were operational asset sales with forward funding

Fig 1: UK BTR investment volumes

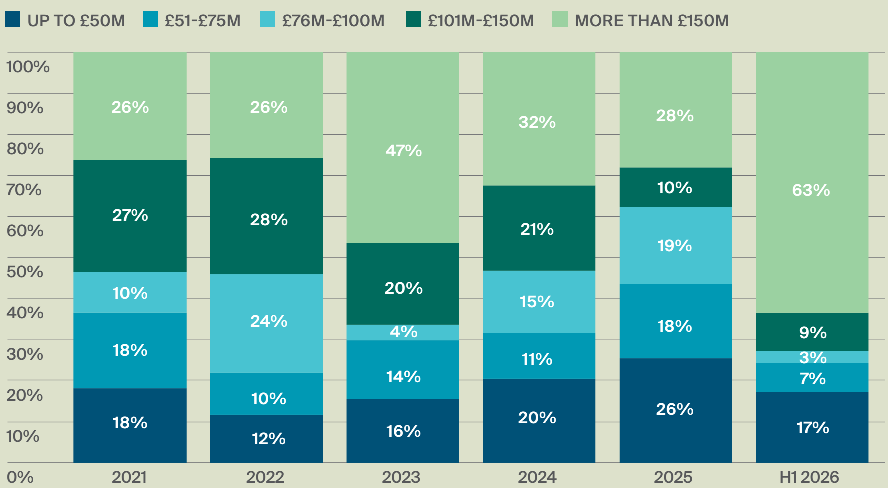
£ billions



Source: Knight Frank Research

Fig 2: Record investment supported by uptick in larger deals

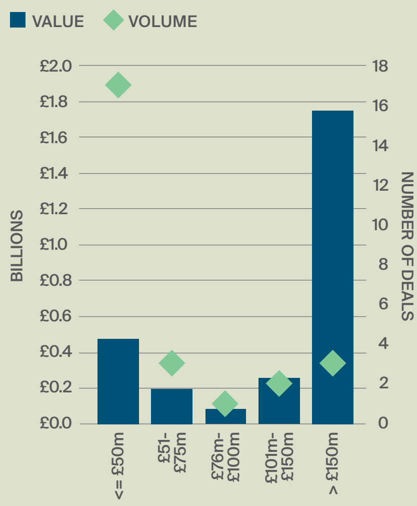
As a % of total investment



Source: Knight Frank Research

Fig 3: UK BTR investment volumes

£ billions



Source: Knight Frank Research

or forward commit deals representing 71% of activity. Investor demand for stabilised assets is expected to be robust in H2, reflecting greater certainty around income growth and operational performance.

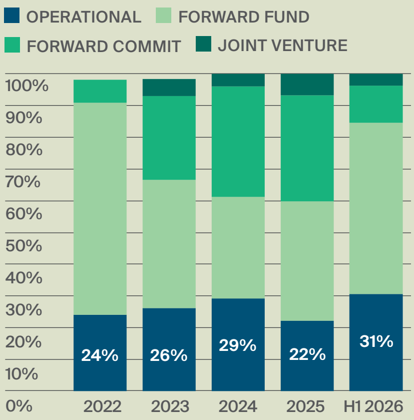
Macro conditions: better, not benign

Following the spike in energy prices triggered by the conflict in the Middle East earlier this year, oil prices have retreated from a peak of US$126 in March, easing concerns over a prolonged, conflict-driven inflation shock. Investors have consequently moderated their expectations for further monetary tightening, with markets now pricing a flatter path for Bank of England policy than was the case at the height of the crisis. Despite this, ongoing uncertainty around inflation, fiscal policy and global geopolitics, means debt markets remain volatile. While 3- and 5-year SONIA swap rates have fallen from their recent highs, they remain sensitive to external shocks and there is a degree of caution from some investors as a result. Meanwhile, concerns over a prolonged leadership contest which could have spooked gilt investors have not materialised, with Andy Burnham taking over uncontested from Sir Keir Starmer in July.

Building pressure

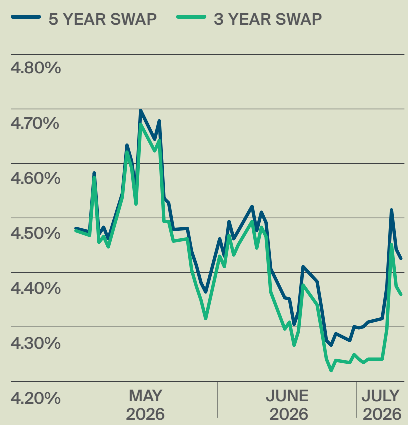
The UK's BTR stock now stands at 166,359 completed homes, up 17% year-on-year, with a further 49,620 homes under construction and 125,639 homes progressing through the planning pipeline. While apartment-led multifamily development continues to account for the lion's share of delivery, representing 71% of homes currently under construction, single family housing continues to expand and now accounts for a quarter of all BTR units being built. This shift reflects the growing challenges facing multifamily delivery. Viability pressures remain acute, particularly across regional towns and cities where grant funding, Section 106 flexibility or affordable housing adjustments are often required to bridge funding gaps. There are, however, tentative signs of improvement in parts of the development process. Gateway 2 approval rates have increased and decision times have fallen across several areas, suggesting recent efforts to address capacity constraints are beginning to have an effect. While further progress is needed to reduce backlogs and improve certainty, the direction of travel is encouraging.

Fig 4: Stabilised sales take a larger share



Source: Knight Frank Research

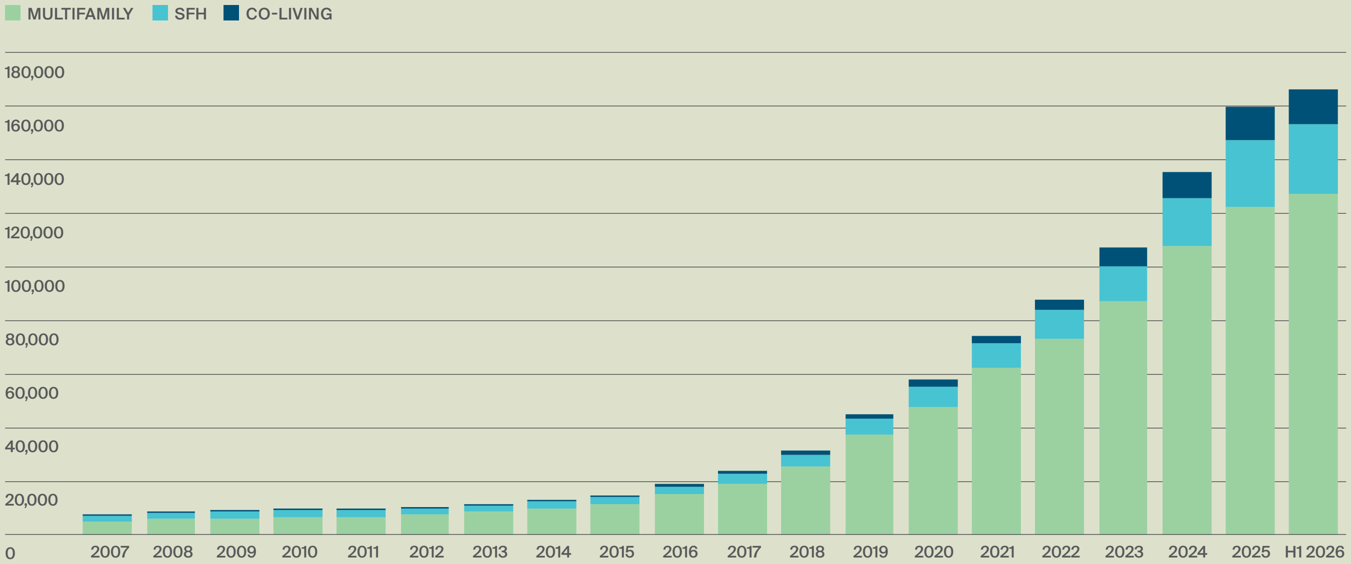
Fig 5: Rates rollercoaster



Source: Knight Frank Research, BofE

Fig 6: Complete BTR supply passes 165,000 homes

# of units, by sub-sector



Source: Knight Frank Research

Regional delivery under pressure

Just over 6,700 BTR homes have been completed so far in 2026, with London and Tier 1 cities, including Manchester and Birmingham, accounting for almost half of all delivery. Tier 2 cities such as Nottingham, Liverpool and Sheffield represented 14% of completions, with a further 14% delivered across smaller towns and regional locations. Single-family housing accounted for more than a quarter of all completions, a sharp increase from just 4% in 2016, underlining its growing importance to overall sector delivery. Looking ahead, multifamily completions are expected to come under increasing pressure as viability, planning and regulatory challenges continue to constrain new development. This is particularly significant for secondary cities and towns, many of which continue to benefit from strong employment growth and favourable demand fundamentals that would ordinarily support further institutional investment.

Taking stock of the RRA

The Renters' Rights Act came into force on 1 May 2026, with the legislation increasing operational complexity for landlords - particularly around possession, rent reviews and tenancy management. Knight Frank lettings data shows that the impact on the wider market has been measured so far, with evidence of some tenant behavioural changes and a more cautious approach from some landlords. Since implementation, around 34% of landlords have delayed rent reviews rather than initiate the new Section 13 process, reflecting the additional administrative burden associated with annual rent increases and tribunal challenge rights. Where Section 13 notices have been served, 35% have subsequently been renegotiated, with landlords and tenants agreeing a rent increase below the level originally proposed. Tenant churn has also increased following implementation, with tenancy terminations running 17% higher year-on-year. More broadly, the Act appears to be contributing to a tightening supply backdrop across the wider PRS. Knight Frank analysis shows that the additional regulatory burden is encouraging some private landlords to exit the market, helping to constrain available supply and support rental growth. New rental instructions are running around 13% below previous levels.

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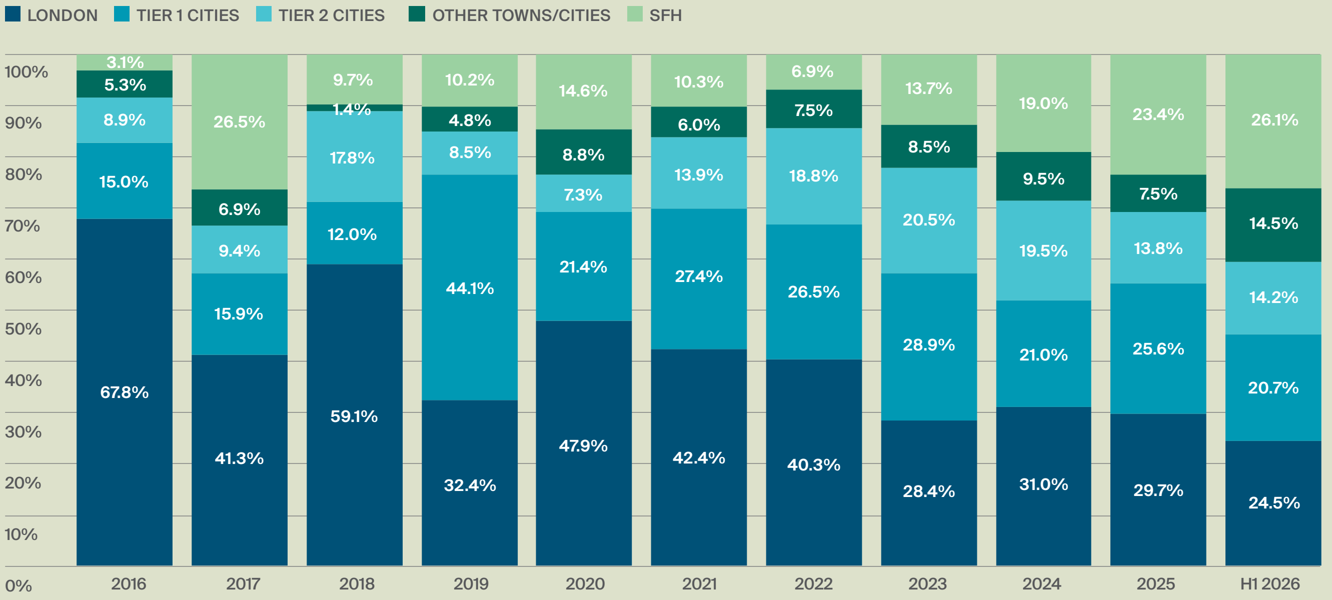
Fig 7: BTR delivery by location

% of total units completed



Source: Knight Frank Research

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Research

Oliver Knight
Head of Residential Development Research
+44 20 7861 5134
oliver.knight@knightfrank.com

Lizzie Breckner
Head of Residential Investment Research
+44 20 3640 7042
lizzie.breckner@knightfrank.com

Sam Gibb
Senior Analyst
samuel.gibb@knightfrank.com
+44 20 7861 1031

Katie O'Neill
Associate, Global Living Sectors
+44 208 176 9829
katie.oneil@knightfrank.com

BTR

Nick Pleydell-Bouverie
Head of Residential Investment
+44 20 7861 5256
nick.pleydell-bouverie@knightfrank.com

Jack Hutchinson
Head of BTR Funding
+44 20 3866 7842
jack.hutchinson@knightfrank.com

Valuation, Capital Advisory and Planning

David Shapland
Head of Residential Investment Valuations
+44 20 7861 5455
david.shapland@knightfrank.com

Lisa Attenborough
Head of Capital Advisory
+44 20 3909 6846
lisa.attenborough@knightfrank.com

Chris Benham
Head of Planning
+44 2078 611 289
chris.benham@knightfrank.com

Knight Frank