UK Real Estate Navigator

Q1 2026	A quarterly review of the UK commercial real estate market	knightfrank.co.uk/research

The headlines

Our experts share the headlines from their UK CRE sectors this quarter

Economy	Global growth has moderated, and renewed geopolitical risks continue to weigh on the UK, even as near-term fundamentals remain relatively firm.
Capital markets	Early-year volatility has not fully derailed UK CRE, with Q1 2026 volumes up +22% YoY.
Offices	UK Cities: Office investment volumes improved as high-value deals completed and buyer-seller alignment strengthened. Regional leasing remained resilient, supported by professional services and TMT demand and intensifying competition for prime space.
	South East: Investment volumes remained low, but an upturn in activity is anticipated by a growing pipeline of assets and a strong start to 2026, driven by larger requirements and sustained demand for best-quality space.
	London: Take-up fell to a seasonal level and investment activity faltered after a strong end to 2025. Near-term demand indicators suggest resilience in the leasing market, where demand remains quality-led.
Industrial	Occupiers are increasingly focused on grade-A stock, driving increased bifurcation in the market. While vacancy has risen, it is increasingly dominated by second hand stock at the same time speculative development remains supressed, limiting options for occupiers. Rental growth continues, albeit the pace is slowing.
Retail	Strong metrics in Q1, but fresh challenges from Q2 – not to mention the war in the Middle East, which has had limited impact to date.
Data centres	Strong policy direction for AI capabilities in the UK, despite near-term demand volatility.
Healthcare	M&A activity is likely to continue into 2026, while the underlying supply-demand imbalances remain an issue.
Life sciences	Funding remains concentrated in the Golden Triangle, while Q1 take-up strengthens, led by a record quarter in Cambridge and improving London demand supported by a growing pipeline.

Economic update

Global and UK economy

CONTACT: NIK POTTER, KHADIJA HUSSAIN

Global economy

A moderated expansion under geopolitical strain

GLOBAL OUTLOOK: A MODERATED EXPANSION UNDER GEOPOLITICAL STRAIN

The key shadow hanging over the first quarter of 2026 has been the renewed conflict in the Middle East, a development that risks turning what was already expected to be a year of moderated global growth into a more restrictive environment. Chief among the concerns has been the inflationary impulse from higher, more volatile energy prices, complicating the path to disinflation and tempering confidence among both consumers and firms.

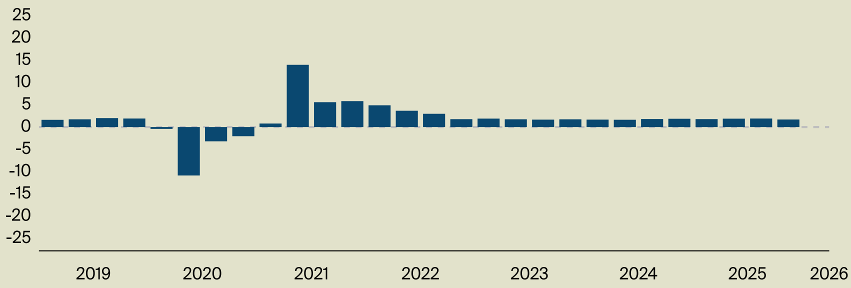
That said, the global economy entered the year from a position of greater stability. Trade conditions have improved marginally compared with a year ago, with earlier protectionist pressures easing at the margin and supply chains continuing to normalise. As a result, global growth remains subdued but resilient, supported by services activity and still-healthy labour markets in many advanced economies, even as manufacturing remains uneven. firms.

Inflation dynamics had been expected to continue improving, but renewed pressures are now back on the cards. While headline inflation has eased from recent peaks, the energy shock has slowed progress and reintroduced upside risks, prompting a more guarded response from central banks. Rate cutting cycles have stalled, with policymakers signaling an extended pause, and in some economies the prospect of further tightening has resurfaced as authorities move to prevent inflation becoming re-entrenched.

Overall, the outlook remains finely balanced. While the global economy is no longer operating under the acute stress of the past two years, geopolitical risks, fiscal constraints and delayed monetary transmission mean the path to a more durable expansion remains uncertain.

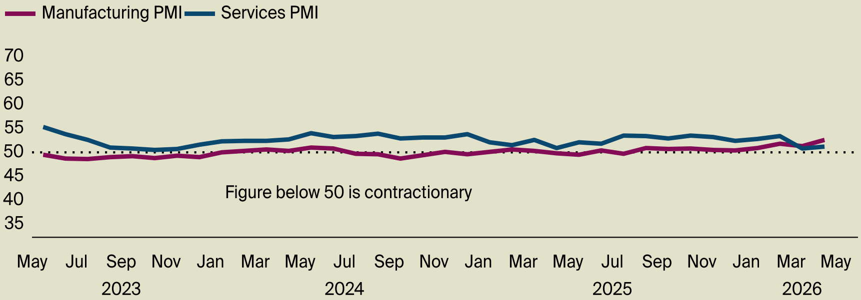
Gross Domestic Product

Quarterly OECD countries GDP growth, % change YoY, seasonally adjusted



Source: Knight Frank Insight, Macrobond, OECD

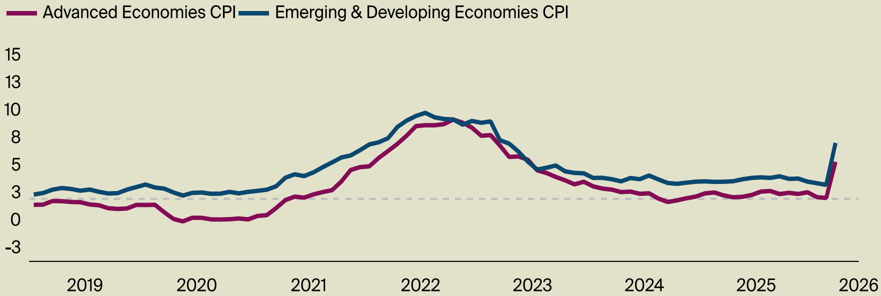
Business Activity Index



Source: Knight Frank Insight, Macrobond, S&P Global /CIPS

Inflation

%



Source: Knight Frank Insight, Macrobond, World Bank

UK economy

Renewed geopolitical risk has tested UK resilience, with firmer near-term fundamentals set against rising energy-driven and growth headwinds

UK OUTLOOK: RESILIENT, BUT UNCERTAIN?

The escalation of the Iran conflict has reintroduced a geopolitical risk premium into global markets. For the UK, the transmission is less about direct exposure and more about energy-driven inflation dynamics and interest rate volatility. The UK also entered this shock from a firmer starting point than current risk pricing implies. Monthly GDP rose by +0.5% MoM in February 2026, the strongest increase since early 2024, with broad-based gains and a return to growth in construction. Labour market pressures were also easing, with unemployment at 4.9% in February and wage growth slowing to 3.6% YoY, the lowest since 2020.

However, that resilience is increasingly being tested. In its April 2026 update, the IMF downgraded the UK's growth forecast by -50bps to +0.8% for 2026, citing renewed geopolitical tensions and persistently higher energy prices, with growth expected to recover to +1.3% in 2027. Against this backdrop, the BoE is expected to keep rates on hold at 3.75% through the remainder of the year, despite markets continuing to price in two further quarter-point hikes.

UK PMIs SIGNAL EXPANSION DESPITE GEOPOLITCAL UNCERTAINTY

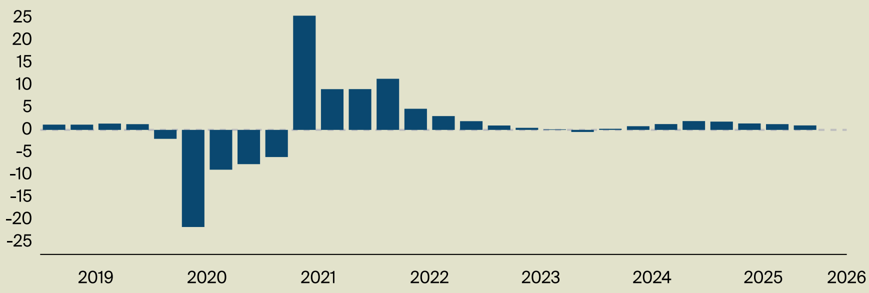
The UK Services PMI edged up to 52.7 in April, marking a twelfth consecutive month of expansion, while the Manufacturing PMI rose sharply to 53.7 from 51.0, its highest level since May 2022.

SOFTER LABOUR MARKET SHOULD LIMIT INFLATION RISK

UK inflation rose to 3.3% in March, driven by higher energy costs linked to the Middle East conflict. With labour market pressures easing, this may help limit second-round inflation effects. The BoE forecast CPI to peak at around 3.6% in Q4 2026.

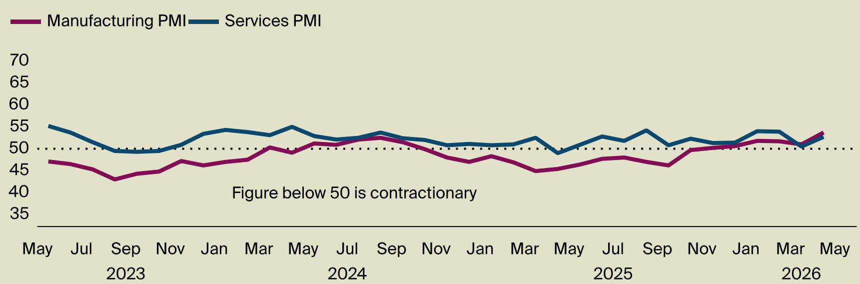
Gross Domestic Product

Quarterly UK GDP growth, % change YoY, constant prices, seasonally adjusted



Source: Knight Frank Insight, Macrobond, ONS

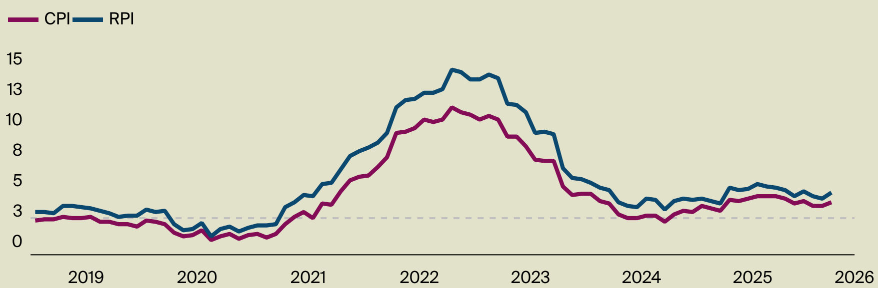
Business Activity Index



Source: Knight Frank Insight, Macrobond, S&P Global /CIPS

Inflation

%



Source: Knight Frank Insight, Macrobond, ONS

Capital markets

UK commercial real estate

CONTACT: NIK POTTER, KHADIJA HUSSAIN

Capital markets

Early-year volatility has not fully derailed UK CRE, with Q1 2026 volumes up +22% year-on-year

Q1 2026: MOMENTUM DESPITE THE NOISE

Prior to the outbreak of the conflict, UK commercial real estate (CRE) investment volumes began to recover, with Q4 marking a clear inflection point. Activity accelerated towards year-end, with Q4 volumes reaching their highest level since 2021, signalling improving confidence and pricing clarity. That recovery has broadly held into early 2026, with the UK emerging as the leading destination for cross-border capital in Q1. This underscores the market's relative resilience and continued appeal to international investors despite a more challenging global backdrop.

UK CRE investment totalled £12.3bn in Q1 2026. This was -42% down on investment in Q4, albeit a +22% increase on Q1 2025. Living Sectors led activity at £3.4bn, followed by Offices (£3.1bn), Logistics (£2.0bn), Data Centres (£1.3bn), Retail (£1.3bn) and Hotels (£1.2bn). Investment increased YoY in Q1 2026 across several sectors, most notably Data Centres (+916%), Hotels (+101%), Living (+35%) and Offices (+14%).

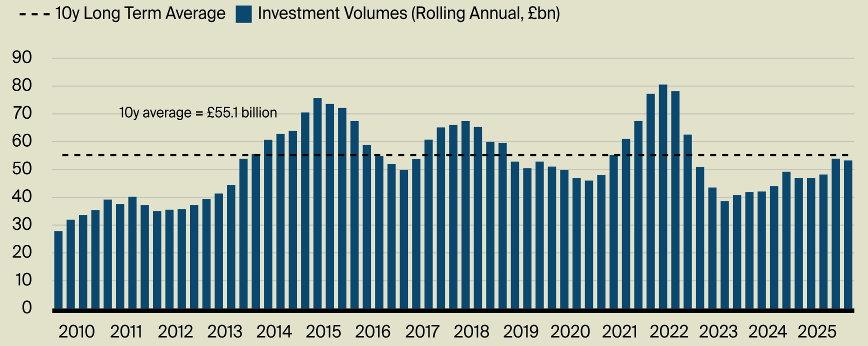
Cross-border investment totalled £5.9bn in Q1 2026, down -18% on the previous quarter but still accounting for a sizeable 48% of total UK CRE volumes.

NEAR TERM CAUTION, SELECTIVE OPPURTUNITY

At this stage of the cycle, income resilience matters more than yield compression. Ongoing geopolitical conflict is likely to temper investment volumes in the near term, reinforcing caution around pricing and underwriting assumptions. Against this backdrop, investor focus remains firmly on secure, durable income, particularly where refinancing risk and funding cost volatility remain elevated. Assets underpinned by predictable cashflows and pricing power therefore appear better positioned to absorb short-term rate volatility and wider market noise.

UK quarterly investment volumes

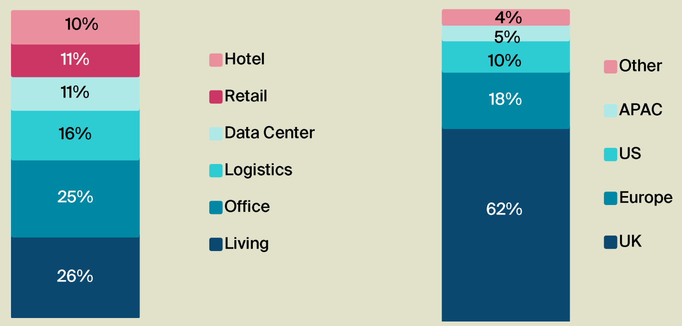
Quarterly investment volumes, rolling average



Source: Knight Frank Insight, RCA

Investment volume breakdown

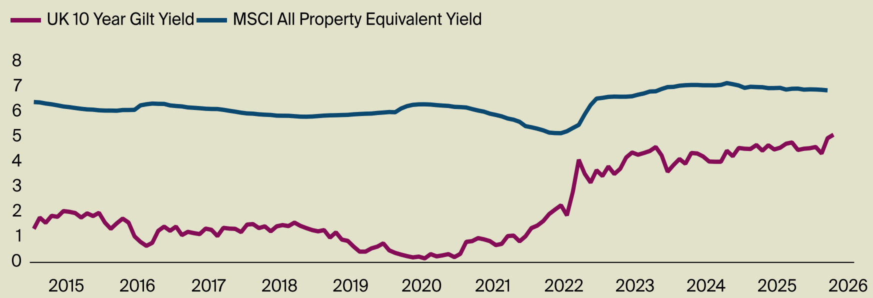
% of Q1 2026 volume



Source: Knight Frank Insight, RCA

Property equivalent yield and UK 10 year gilt yield

%

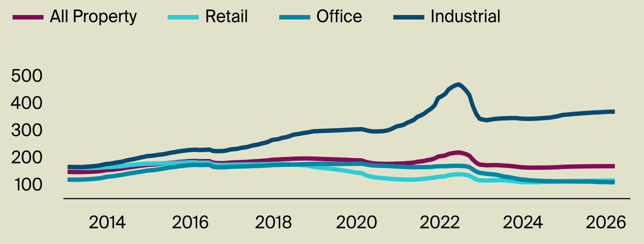


Source: Knight Frank Insight, Macrobond, MSCI

Capital markets

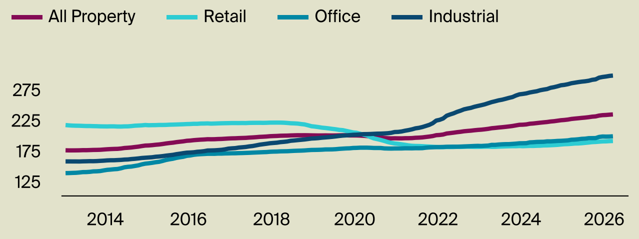
The IPF forecasts the Industrial sector to deliver the strongest capital and rental value growth in 2026

MSCI Capital Value Growth Index
Dec 1986 = 100



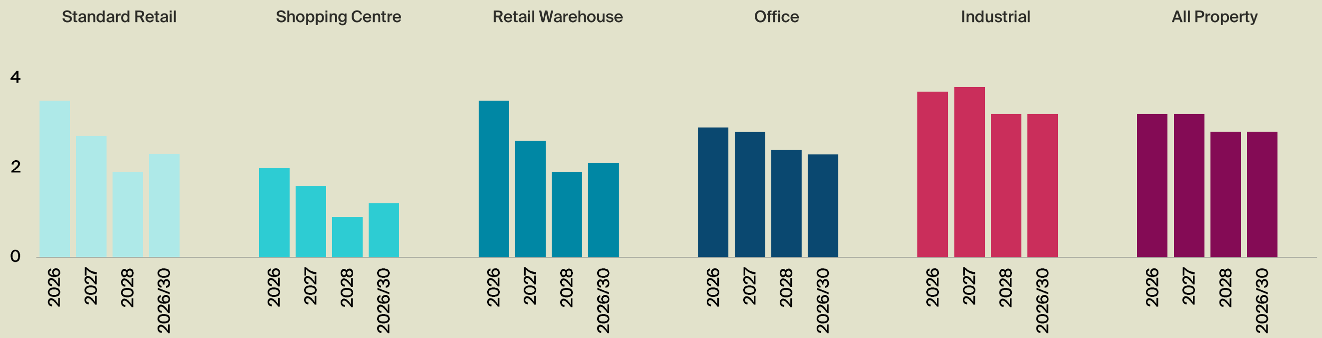
Source: Knight Frank Insight, MSCI

MSCI Rental Value Growth Index
Dec 1986 = 100



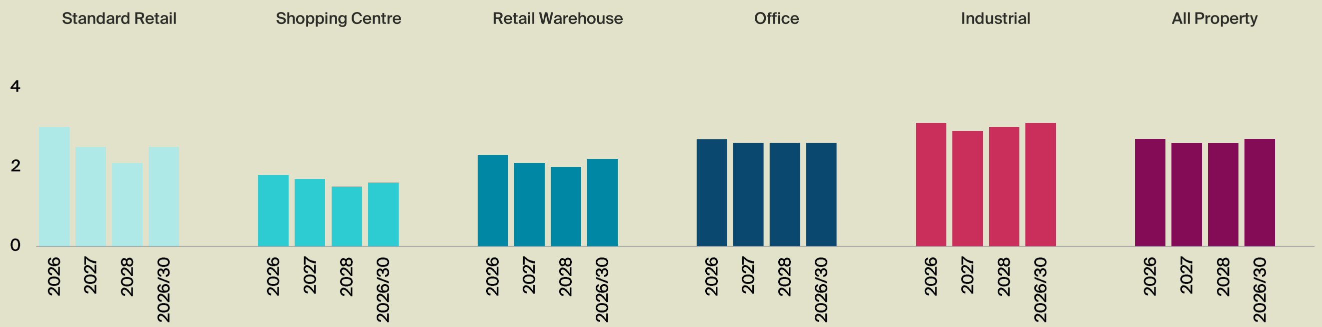
Source: Knight Frank Insight, MSCI

IPF Consensus Capital Value Growth Forecast
%, March 2026 forecast



Source: Knight Frank Insight, IPF

IPF Consensus Rental Value Growth Forecast
%, March 2026 forecast

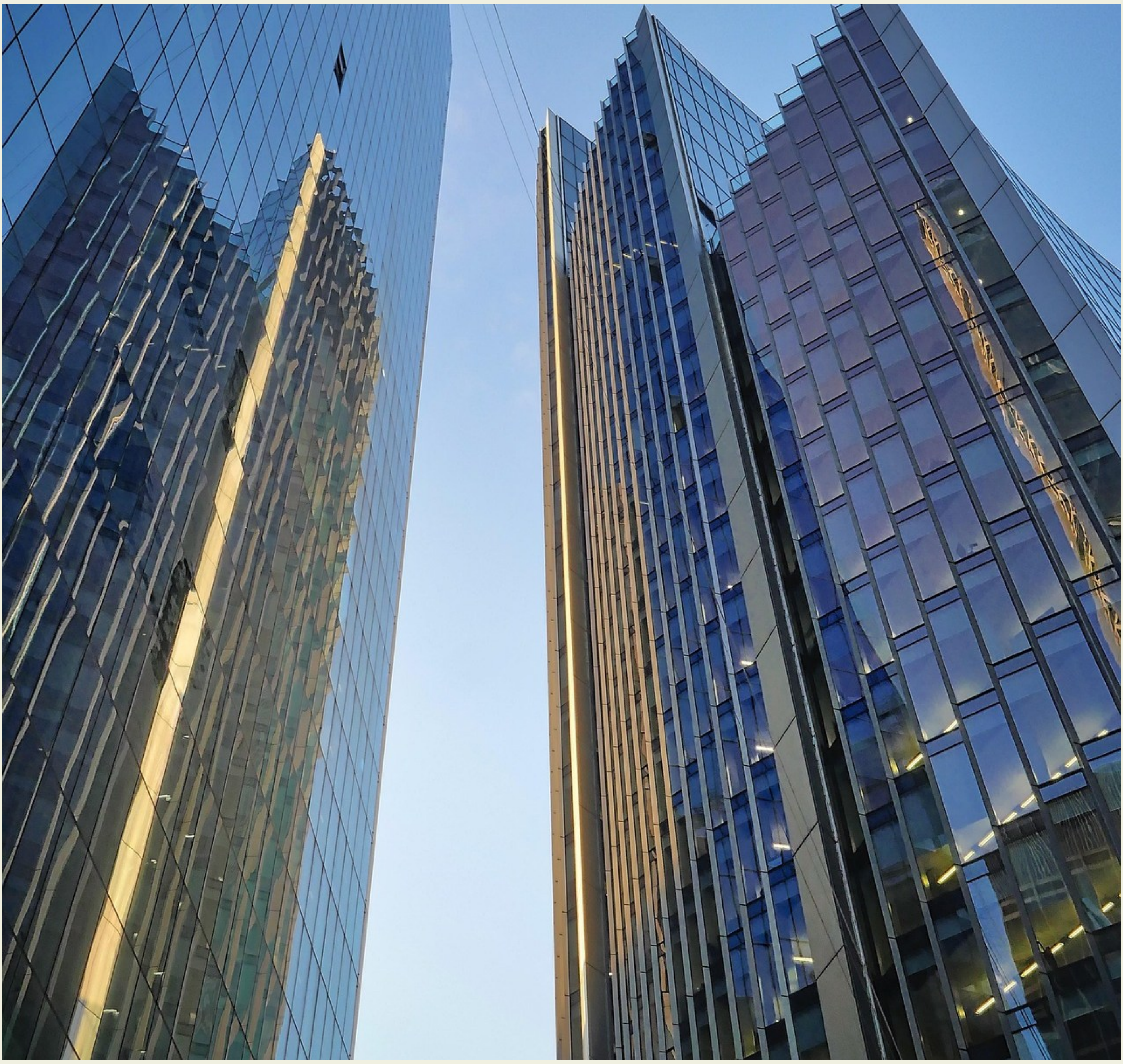


Source: Knight Frank Insight, IPF

Offices

City & Southbank, West End, Docklands & Stratford, South East & UK Cities

CONTACT: LONDON – SHABAB QADAR, CHRIS DUNN SOUTH EAST & UK CITIES – DARREN MANSFIELD



City & Southbank offices

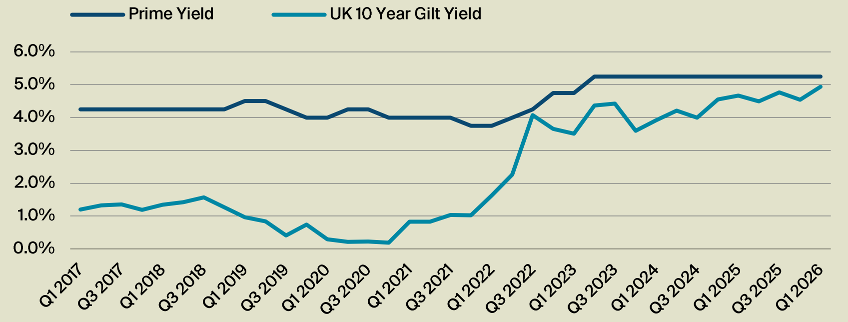
Investment activity falls after signs of a recovery

INVESTMENT ACTIVITY DROPS

Investment turnover in the City & Southbank market fell by 51.4% to £0.9bn, which was 47.4% below the long-term average. This followed a very strong final quarter of 2025. Activity for lot sizes exceeding £100m was down by two-thirds over the quarter at just £0.4bn, which was a significant driver behind the decline in overall volumes. Lot sizes of £50-100m, however, saw £0.3bn transacted, an increase of 119.5% over the quarter and a 17.3% outperformance against the long-term trend. Private property companies were the most acquisitive in Q1, completing £0.3bn of transactions which accounted for 38.4% of turnover. North American investors were the most active, accounting for 38.5% of investment volumes in the City & Southbank. Despite the decline in investment activity, core assets remained the most popular, accounting for 45.4% of Q1 investment. The total value of assets under offer fell by 16.0% to £1.0bn, which was 22.9% below the long-term trend. Market pricing remains stable so far, with prime yields holding at 5.25%. This is set against a backdrop of ongoing geopolitical and economic uncertainty, but so far there is limited evidence that this uncertainty is translating into pricing.

City & Southbank: Prime yield and UK 10 year gilt yield

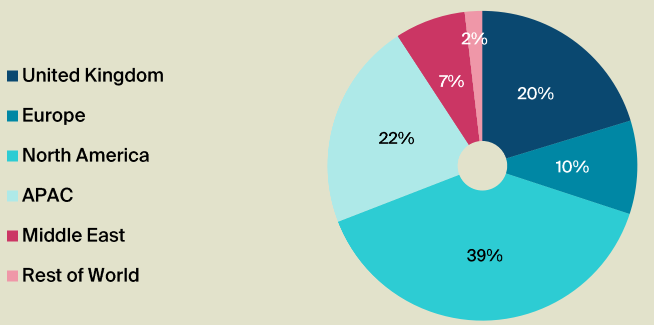
Q1 2026, % per annum



Source: Knight Frank Insight

City & Southbank: Investment volumes by nationality

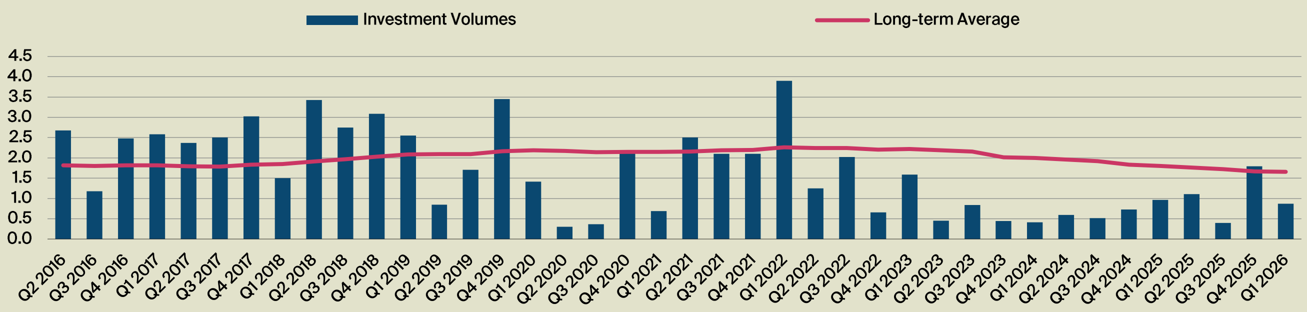
Q1 2026, % of total investment



Source: Knight Frank Insight

City & Southbank: Investment volumes relative to trend

£bn



Source: Knight Frank Insight

City & Southbank offices

Take-up falls over the quarter to just below trend

LEASING ACTIVITY DIPS BUT DEMAND IS ROBUST

Take-up across the City & Southbank market dropped by 25.0% to 1.5m sq ft in Q1, 1.9% below the long-term average. Leasing of new and refurbished space drove take-up volumes, accounting for 86.3% of leasing activity in Q1. Despite an overall decline in the volume of space let, the volume of new/refurb take-up managed to increase by 2.1% over the quarter, a clear sign that occupier preference for best-in-class space remains.

There were two transactions exceeding 100,000 sq ft in Q1, accounting for 31.1% of take-up. Activity in the small to medium size bands saw a downward trend with take-up in the 5,000-10,000 sq ft bracket down by 35.4% over the quarter and 14.6% below the long-term average.

Two of the five largest deals signed during Q1 were in the Southbank, with BP's 205,208 sq ft acquisition of the Ink Building, 25 Lavington Street, SE1 and Quantexa's pre-let of 52,293 sq ft at GPE's The Delft, SE1 significantly boosting take-up volumes.

The professional services sector was the most active in Q1, with 440,801 sq ft of take-up, accounting for 29.1% of all leasing activity. The next most active sector was manufacturing & corporates, which accounted for a further 21.5% of Q1 leasing volumes.

The volume of space under offer contracted from 2.1m sq ft at the end of 2025 to 1.8m sq ft at the end of Q1 with only one unit under offer in excess of 100,000 sq ft. The volume of active demand fell by 5.5% to 7.1m sq ft but remained significantly above the long-term average of 4.7m sq ft.

SUPPLY DROPS DESPITE SLOWDOWN IN TAKE-UP

Availability in the City & Southbank market fell by 2.6% in Q1 to 12.5m sq ft, equating to a vacancy rate of 8.5%, the lowest level since Q2 2022. The vacancy rate for new space fell to just 1.5%, whilst the availability of refurbished space jumped by 15.1% to just under 7.0m sq ft, with a vacancy rate of 4.8%. Second hand space fell by 24.6% over the quarter to just 3.4m sq ft, the lowest level since 2016.

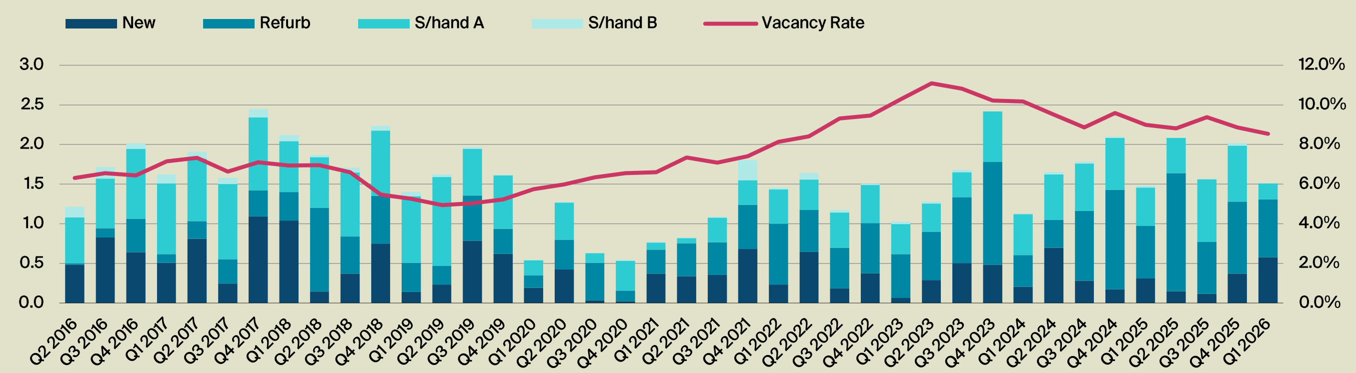
Development completions saw an uptick of 114.8% over the quarter, reaching 1.4m sq ft. Of this, 0.5m sq ft was pre-let, leaving just under 0.9m sq ft delivered speculatively. At the end of Q1, there was 8.2m sq ft under construction across the City & Southbank submarket.

PRIME RENTS REMAIN STABLE

Prime rents were maintained across the City & Southbank submarket, although this isn't to suggest there isn't still upward pressure on headline rents in most submarkets. Rather, these high rent deals were in upper floors of towers and not in the type of space where most of the market activity takes place.

Our forecasts for the next five years rank the City Core with the strongest potential for prime rental growth at an annual average of 4.8%, this is followed by Midtown at 4.0%, Clerkenwell/Farringdon at 3.5% and Southbank Core at 3.1%.

City & Southbank: Take-up by quality and vacancy rate
M sq ft (LHS), % of stock (RHS)



Source: Knight Frank Insight

West End offices

Investment activity slows in line with London trend

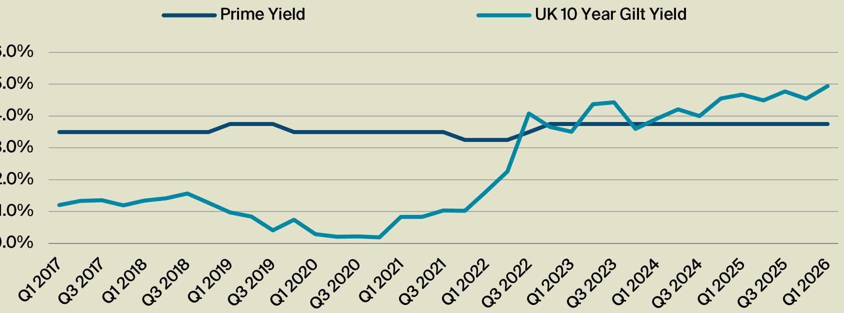
PRIVATE EQUITY DOMINATES

Investment volumes in Q1 reached £1.1bn, a 27.6% decrease over the quarter and 11.7% below the long-term average. Over half (53.0%) of Q1 turnover was for lot sizes over £100m. Private equity was the most active purchaser group, accounting for 36.8% of Q1 investment volumes (£0.4bn). Private property companies were the next most active representing a further 26.1% of investment activity (£0.3bn).

North American investors were the most acquisitive in Q1, accounting for nearly a third of all activity in the first quarter, although APAC investors saw the highest quarterly increase in activity (80.5%). Key transactions include GPE's sale of Wells & More, 45 Mortimer Street, W1, Ares' purchase of The Copyright Building, 25-33 Berners Street, W1 and Sinar Mas Land's acquisition of Burberry's HQ at Horseferry House, Horseferry Road, SW1. Looking ahead, there is £1.3bn of assets under offer, a 27.5% decrease on the previous quarter. Whilst geopolitical risk continues to temper near-term sentiment, the West End market's defensive income profile should underpin sustained investor interest should capital seek a safe-haven location.

West End: Prime yield and UK 10 year gilt yield

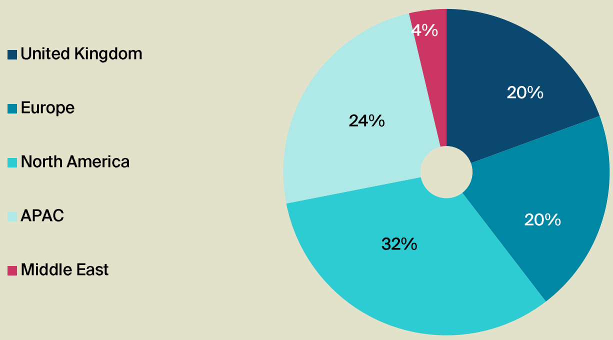
Q1 2026, % per annum



Source: Knight Frank Insight

West End: Investment volumes by nationality

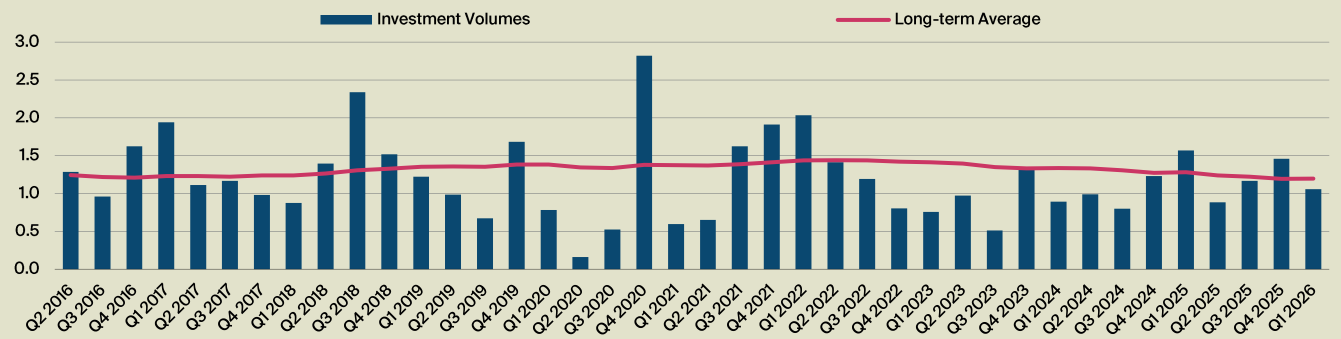
Q1 2026, % of total investment



Source: Knight Frank Insight

West End: Investment volumes relative to trend

£bn



Source: Knight Frank Insight

West End offices

Take-up increases over the quarter but remains below trend

TAKE-UP REMAINS BELOW TREND

Q1 take-up in the West End reached 927,177 sq ft, 9.6% above the previous quarter but 10.6% below the long-term average. There were two transactions above 100,000 sq ft, which accounted for more than a quarter of Q1 leasing volumes.

Take-up of new and refurbished space reached 646,177 sq ft, making up 69.7% of total take-up in Q1. This trend appears to be holding at approximately two-thirds of leasing activity, showing a sustained shift of occupier preference.

FITZROVIA AND VICTORIA SEE THE MOST ACTIVITY

Leasing activity in the West End was up over the quarter, but this was not universal across submarkets. Take-up was highest in Fitzrovia, reaching 250,873 sq ft, equating to 27.1% of all Q1 leasing volumes. Victoria saw the next highest level of take-up, with 175,700 sq ft let in Q1, equating to just under 19.0% of all take-up in the West End. Whilst performance in both submarkets was boosted by large transactions there was sufficient activity in small-to-medium size brackets.

Significant transactions beyond those mentioned above include Gilead Sciences' acquisition at 1 Triton Square, NW1 (50,181 sq ft), Verition Advisors' assignment of the 45th and 5th floors at Lucent, W1 (49,287 sq ft) and Sona Asset Management's 31,323 sq ft acquisition at The Pegasus, W1.

NEAR-TERM DEMAND INDICATORS ARE STRONG

At the end of Q1, there was just under 1.3m sq ft under offer in the West End, which is a 70.1% increase over the quarter. The submarket expected to see the most momentum in the near term is King's Cross/Euston, where 329,781 sq ft is under offer.

Active demand increased by 1.1% over the quarter to 2.0m sq ft, which is 3.9% below the long-term average. These demand indicators suggest a degree of resilience to the wider economic and geopolitical uncertainty, but this could be put under pressure if the conflict in the Middle East is prolonged.

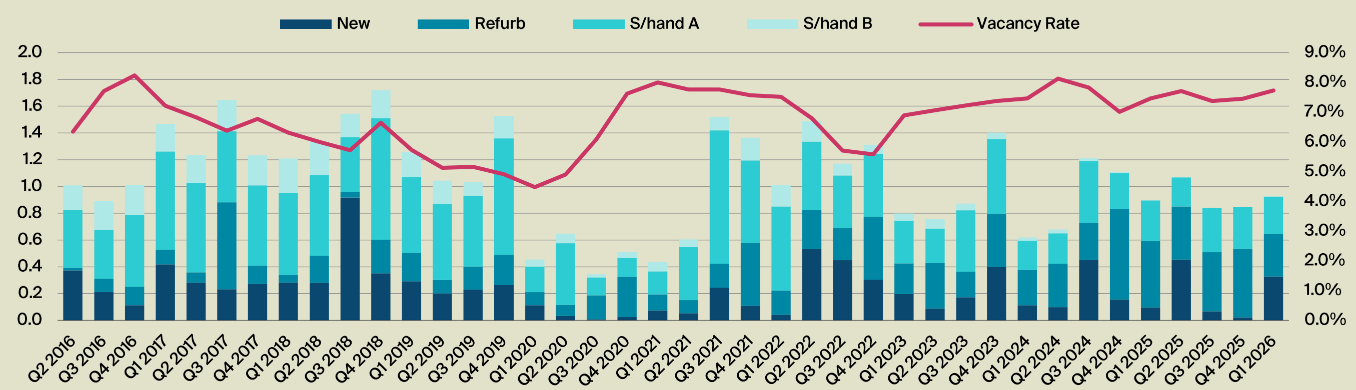
AVAILABILITY NUDGES UP OVER THE QUARTER

Availability increased by 4.3% to 7.6m sq ft, equating to a vacancy rate of 7.7%. The vacancy rate of new and refurbished space increased from 5.5% to 5.6%. Whilst there was an overall increase over the quarter, there are submarkets where the supply of new space remains very tight. The West End Core vacancy rate for new space is just 0.5%, but in adjacent locations such as Soho it is even tighter at 0.4%.

PRIME RENTS INCREASE OUTSIDE THE CORE

Prime rents were held at the previous quarter's level in all submarkets except Victoria and Fitzrovia. In the former, they were adjusted upward by 2.7% to £95.00 per sq ft whilst the latter saw a quarterly increase of 5.1% to £102.50 per sq ft.

West End: Take-up by quality and vacancy rate
M sq ft, % of stock (RHS)



Source: Knight Frank Insight

Docklands & Stratford offices

After a strong end to 2025, the first quarter of 2026 was subdued

TAKE-UP FALLS TO LOWEST LEVEL SINCE Q3 2024 BUT OUTLOOK IS POSITIVE

After seeing strong leasing performance in 2025, where 1.3m sq ft was let across the Docklands & Stratford market, Q1 2026 saw activity fall to the lowest volume since Q3 2024 at just 52,047 sq ft. This was comprised of just four transactions, none of which were in Canary Wharf.

The largest transaction signed during Q1 was CEG UFP's 39,654sq ft acquisition at 2 Redman Place, E20 across the 8th and 9th floors, which will be used to house the University of Hull's London Study Centre. This builds on a sustained trend seen over the last two years where educational occupiers see the Docklands & Stratford market as a cost-effective location of a London base but with the amenity offering to continue to develop what is rapidly becoming an educational cluster.

Given the low volume of take-up, it is perhaps unsurprising that all activity in the first quarter was in new or refurbished space. Over the last 12 months, new and refurbished take-up has accounted for 79.6% of all leasing volumes.

Encouragingly, there is 566,675 sq ft of space under offer across the Docklands & Stratford market, suggesting that the current slowdown is cyclical rather than structural and that take-up is likely to recover as transactions progress through the pipeline.

AVAILABILITY DROPS BELOW TREND

Availability fell by 3.1% over the quarter to 2.8m sq ft, equating to a vacancy rate of 11.1%. This means that availability has fallen by 27.1% over the last 12 months, and that the vacancy rate is now below trend.

New and refurbished space accounted for 61.8% of availability at the end of Q1, translating to a vacancy rate of 6.8%, which remained stable over the quarter. Over half (53.1%) of total availability is contained within units of 100,000 sq ft or more.

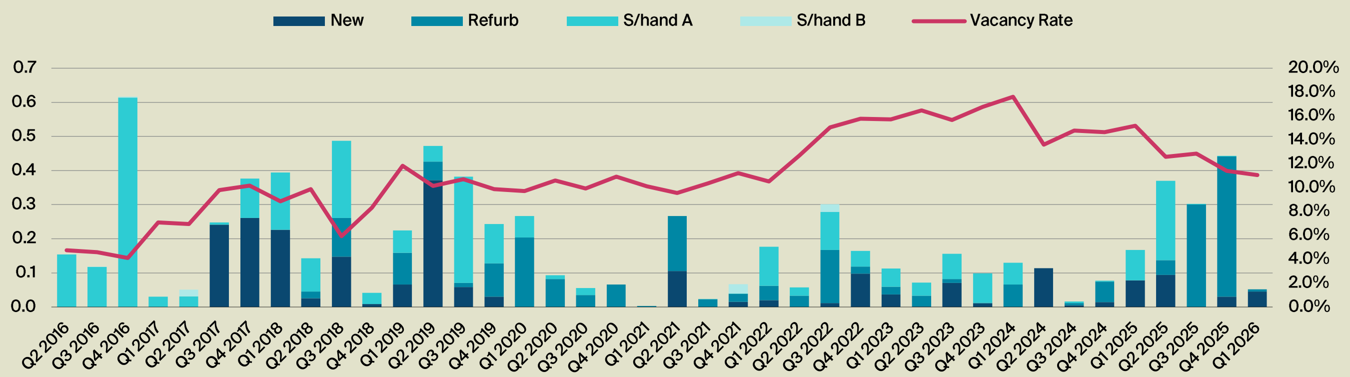
At the end of Q1 there was 718,338 sq ft of space under construction in the Docklands & Stratford market, across two schemes. 17 Columbus Courtyard, E14, is expected to reach practical completion in 2026 Q4, delivering 178,338 sq ft of speculative space. One North Quay, E14 is scheduled to complete by the end of 2027, providing 540,000 sq ft of speculative space.

Prime rents remained stable in both Docklands and Stratford markets.

PRIME RENTS HELD ONCE AGAIN

In Canary Wharf, prime rents are £57.50 per sq ft and in Stratford they are £48.50 per sq ft. Rent-free periods also remain unchanged at 27-30 months on a standard 10-year lease.

Docklands & Stratford: Take-up by quality and vacancy rate
M sq ft, % of stock (RHS)



Source: Knight Frank Insight

South East offices

Investment volumes remain low, albeit activity is now underpinned by an increasing pipeline of assets being marketed

INVESTMENT ACTIVITY IMPROVES BUT VOLUMES REMAIN LOW

Investment activity across the South East and Greater London moderated in the first quarter, with £237m of office assets traded. This represented a 14% decline compared with Q1 2025 and 44% less than the previous quarter.

Even so, deal flow remained steady but selective. A total of 25 transactions were completed during the quarter, one fewer than in Q4 2025 and three fewer on a YoY basis. Average deal size remained low at £9.5m, reinforcing the ongoing focus on smaller lot sizes.

SMALLER LOT SIZES DOMINATE

Ten deals completed above £10m during the quarter, although only one transaction exceeded £20m. This was the £27m acquisition of Skandia House in Southampton by a private, high-net-worth individual, underscoring the limited activity involving higher-value assets.

Buyer composition was dominated by UK capital. Private property companies accounted for 45% of investment volumes, while private investors represented a further 35%.

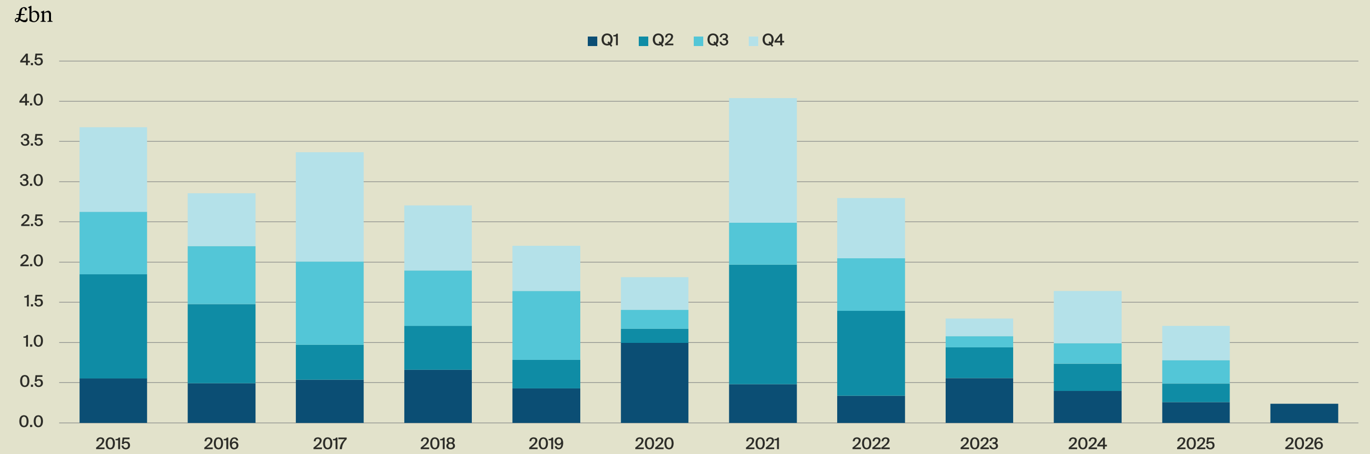
STOCK AVAILABILITY INCREASING

Looking ahead, office stock totalling £961m was available on the market at quarter end, of which £338m was under offer. Notably, four of the assets currently under offer are priced above £20m. Of the actively marketed stock, six assets are also priced above £20m. This points to a modest but gradually widening pool of larger lot opportunities as pricing expectations realign.

Prime yields for 15-year income remain at c.7.00%, albeit there were no transactions at this level during the first quarter. Opportunistic buyers are currently the most active, targeting attractively priced asset management projects.

UK debt markets remain cautious as investors adopt a "wait-and-see" approach ahead of the latest developments in the Middle East. The surge in energy prices and rising inflation concerns have prompted investors to revise expectations for BoE policy, now anticipating one or two interest rate hikes in 2026. The 10-year gilt continues to hover around 4.8–4.9% as investors price in inflation risk and a cautious BoE path. Against that backdrop, funding conditions are stable but remain rate-sensitive.

South East: Investment volumes



Source: Knight Frank Insight

South East offices

A strong start to 2026, underpinned by larger requirements and sustained demand for best-quality space

LEASING MOMENTUM CONTINUES

The South East office market started the year on a solid footing, with 680,766 sq ft of space leased in the first quarter. While this figure sits -13% below the five-year quarterly average, it is a modest improvement of +1.2% on Q4 2025.

As a result, the rolling four-quarter take-up total reached 3.0m sq ft, underpinned by strong deal velocity. A total of 345 transactions were completed, 22% above the five-year average, highlighting broad-based engagement.

Tenant demand in Q1 2026 was led by the Technology, Media and Telecoms sector, accounting for 42% of total take-up. This was supported by the 78,711 sq ft letting to Microsoft at The Here Building in Reading. Financial and Business Services followed, accounting for 22% of leasing activity, including three lettings of over 10,000 sq ft.

Grade A space dominated leasing activity, representing 85% of all take-up in Q1. This is the highest proportion recorded since 2021 and underlines the sustained flight to quality.

Active requirements across the market totalled 3.8m sq ft at the end of the quarter. Financial and Business Services occupiers accounted for 29% of this demand pipeline, with TMT firms close behind at 26%, reinforcing their continued prominence across the region.

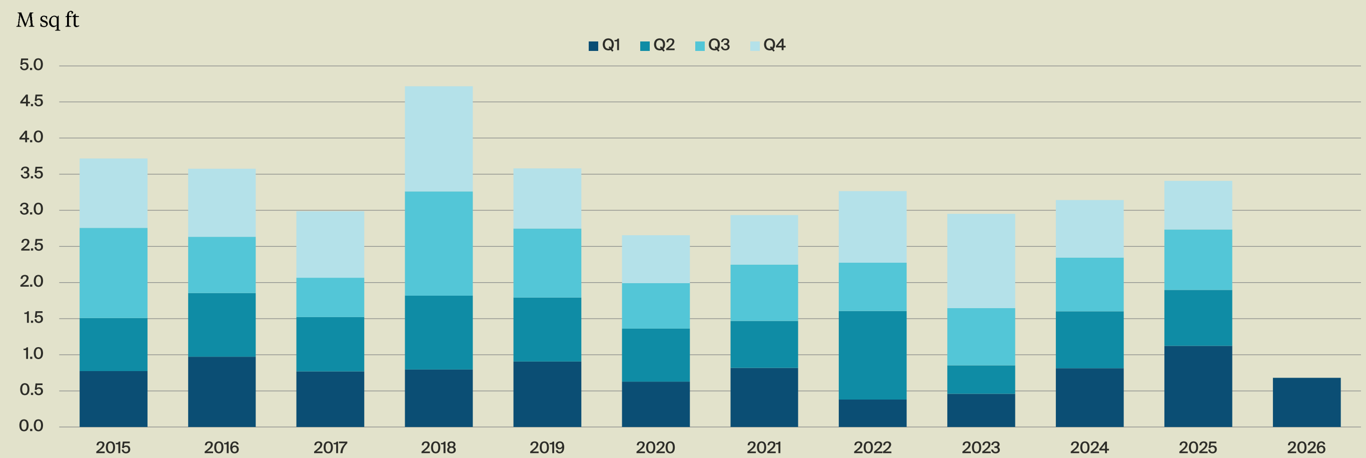
SUPPLY POLARISING

Although total availability has edged upward, the increase has been driven primarily by the release of Grade B stock, which has risen by 20% over the past twelve months. Overall vacancy therefore increased to 10.6%, compared with 9.7% in Q1 2025. In contrast, Grade A vacancy tightened from 6.9% to 6.6%, reflecting continued competition for the best quality space.

Development activity remains constrained. As of Q1 2026, 1.8m sq ft was under construction, with completions expected over the next 24 to 36 months. Cambridge and West London account for 65% of the current speculative pipeline, underlining a geographic concentration.

Rental growth remains evident. The average South East headline rent now stands at £41.50 per sq ft, up 1.5% over the past year. However, performance has been more pronounced in several key markets, with 19 locations recording above-average growth. Cambridge, Milton Keynes and Windsor stand out for the highest rental increases, with growth of 25%, 17% and 11.5% respectively.

South East: Occupier take-up



Source: Knight Frank Insight

UK Cities offices

Offices investment registered improvement, with benchmark deals completing, rising stock availability, and increasing buyer-seller alignment

STRONG START TO 2026

Office investment volumes across the UK regional cities rose sharply in Q1, with £531m of office stock transacted, the highest quarterly total in the past 12 months.

A total of 33 deals were completed during the first quarter, well above the five-year quarterly average of 23. Notably, the first-quarter total was the most active since Q2 2022. Average deal size increased to £16.1m, the highest level for three years.

Significantly, two deals over £50m completed. These were Bank of New York Mellon's acquisition of 4 Angel Square for £114m and Melford Capital's purchase of Waverley Gate in Edinburgh for £77m.

Moving forward, momentum is expected to build into 2026, with approximately £740m of assets under offer at quarter-end and a further £800m being marketed.

The buyer pool remains narrow but expanding. Private equity investors and UK-based property companies are the most active participants, together accounting for around 57% of total investment volumes in Q1. Over the coming year, this base is expected to broaden as overseas capital and UK institutional investors return.

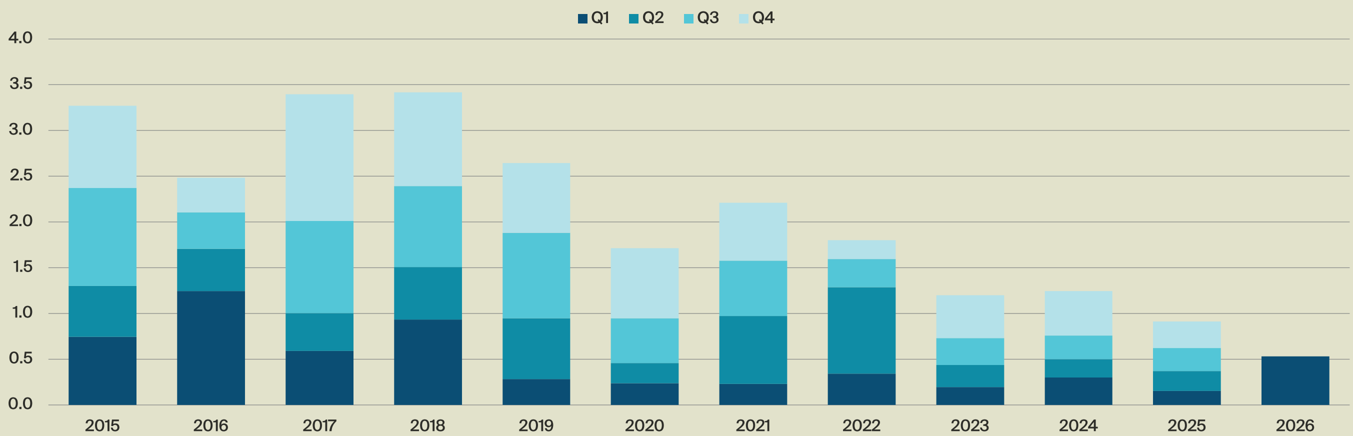
PRICING FAVOURABLE

Prime office yields across the UK regional cities remained stable in 2025, ranging from 6.50% in Edinburgh to 10.00% in Aberdeen. These levels continue to offer a substantial premium to risk-free benchmarks, with the 10-year gilt hovering around 4.8–4.9% as investors price in persistent inflation risks and a cautious Bank of England policy path.

Compared with London, where yields stand at approximately 5.25% in the city and 3.75% in the West End, the relative value outside the capital is increasingly compelling. As borrowing costs ease and a broader pool of active capital returns to the market, liquidity across the regional office sector is expected to improve through 2026.

UK Cities: Investment volumes

£bn



Source: Knight Frank Insight

UK Cities offices

Regional office leasing in Q1 was consistent with the long-term trend, underpinned by professional services and TMT demand and intensifying competition for prime space

LEASING ACTIVITY STEADY IN Q1

UK regional office markets made a solid start to the year, with 1.2m sq ft of take-up in Q1, broadly in line with the five-year average for the first quarter. A total of 256 deals were completed, including 10 transactions exceeding 20,000 sq ft, marking the most active start to a year since 2022.

Demand was led by Financial and Professional Services, which accounted for 31% of take-up, followed by the Public Sector at 24%. Notably, the latter was responsible for two transactions in excess of 100,000 sq ft during the quarter.

Looking ahead, the occupational market remains underpinned by a healthy pipeline of requirements, with 3.9m sq ft of active demand. Financial and Professional Services continue to dominate, accounting for 42% of requirements, while the Technology sector represents a further 12%.

The flight to quality remains a defining theme across the regional markets. Grade A space accounted for 63% of total take-up, reflecting continued occupier preference for high-quality, modern and amenity-rich accommodation.

VACANCY INCREASES BUT DEVELOPMENT REMAINS TIGHT

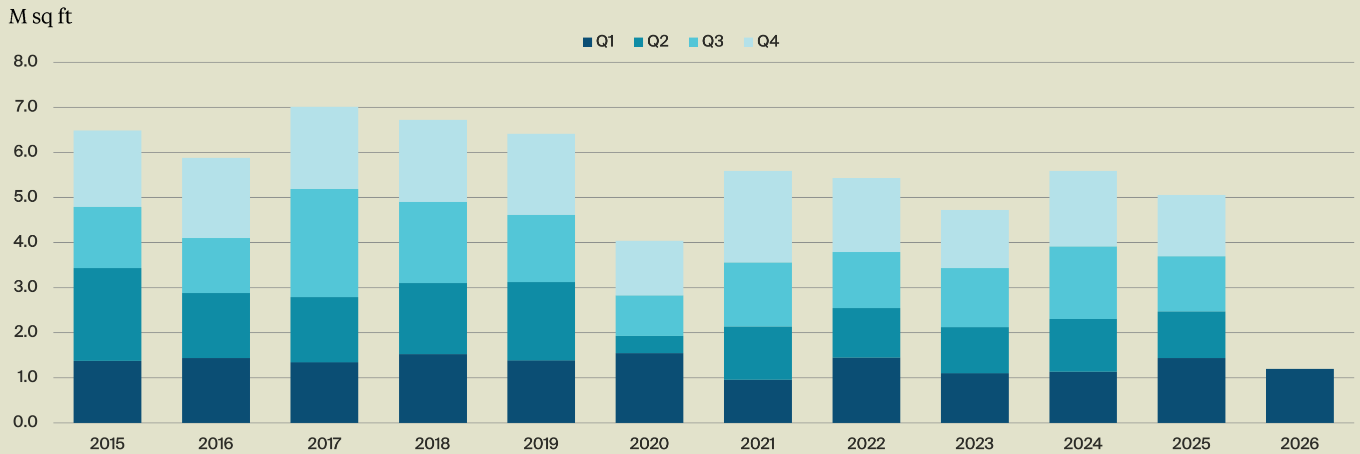
Supply conditions were broadly stable, with new and Grade A availability holding at 4.1m sq ft. However, overall vacancy edged up slightly to 13.6%, compared with 13.5% a year earlier. Grade A vacancy increased modestly to 3.4%, although this still points to sustained competition for the best space.

Development activity remains constrained. At the end of Q1, only 2.2m sq ft of speculative space was under construction, with delivery expected before 2029, limiting the volume of new supply entering the market in the near term.

RENTS CONTINUE TO RISE

Against this backdrop, prime rents continue to strengthen. The average regional prime rent has reached £41.50 per sq ft, representing annual growth of 7%, with the strongest uplifts recorded in Birmingham (18%), Leeds (17%) and Bristol (8%).

UK Cities: Occupier take-up



Source: Knight Frank Insight

Industrial & distribution

Investment and occupational markets

CONTACT: CLAIRE WILLIAMS

Industrial & distribution

Liquidity holds firm, private capital rises and pricing turns cautious

INVESTMENT ACTIVITY HOLDS AMID VOLATILITY

UK industrial and logistics investment totalled £1.64bn in Q1 2026, following an exceptionally strong £4.81bn in Q4 2025 driven by large portfolio transactions and REIT M&A activity. Although volumes were 5% below Q1 2025, they remained 5% above the 10-year pre-pandemic average, showing that liquidity continues to hold up despite a more volatile backdrop.

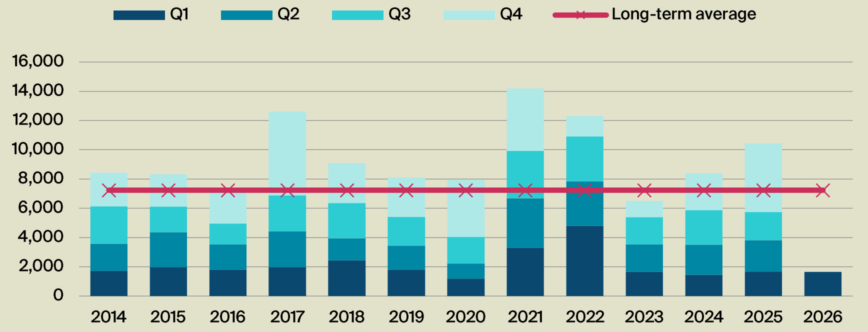
Average lot sizes moderated to £29.8m, down from £35.1m in the previous quarter, as investors became more selective. Market sentiment was firmer earlier in the quarter, but geopolitical tensions in the Middle East contributed to more cautious pricing and slower decision-making towards quarter-end.

PRIVATE CAPITAL AND INSTITUTIONAL INVESTORS MORE ACTIVE AS DEBT COSTS SURGE

Cross-border capital remained the largest source of investment, accounting for 43% of Q1 volumes, although this was a lower share than in recent years. Institutional investors increased their presence to 27% of activity, the highest level since 2019, while private capital reached 30%, its highest share on record. In contrast, the REIT and listed property sector, which was highly active in 2025, was absent from the market in Q1.

Higher debt costs continue to reshape buyer behaviour, favouring lower-leveraged and longer-term capital targeting prime, income-secure assets. As a result, demand remains strongest for prime stock, while more transitional and yield-driven assets face a narrower buyer pool. There remains limited evidence of outright yield softening, although pricing has become more cautious. Prime yields stood at 5.25% in Q1 2026, while annualised total returns to March 2026 were 7.3%.

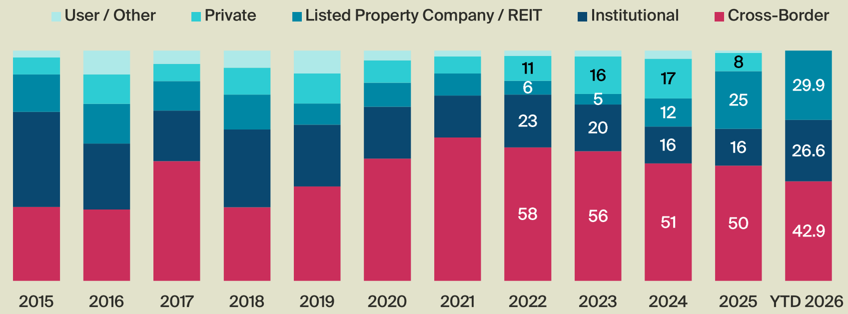
Investment volumes
£m



*Data reporting change from 2020 onwards

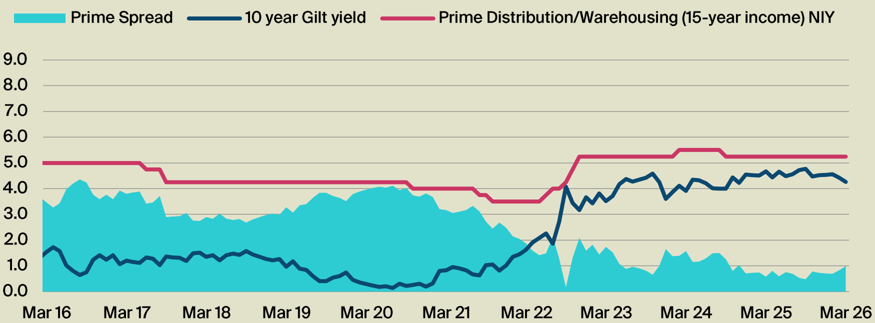
Source: Knight Frank Insight, RCA

Capital composition
%



Source: Knight Frank Insight, RCA

Industrial yields
%



Source: Knight Frank Insight, Macrobond

Industrial & distribution

Take-up holds firm, vacancy rises, and rental growth moderates

TAKE-UP ABOVE Q1 2025, WITH DEMAND FOCUSED ON GRADE-A SPACE

UK take-up of units over 50,000 sq ft totalled 9.0m sq ft in Q1 2026, slightly below the previous quarter but 11% above Q1 2025, indicating continued occupier activity at a national level. Occupiers remained heavily focused on Grade-A space, with new or refurbished units accounting for around two-thirds of take-up, while second-hand space represented 23%. Demand was led by distribution firms, which accounted for 45% of take-up, while retailers represented 27%. There was also a clear shift towards mid-box units, with the 50,000–250,000 sq ft size bands accounting for the majority of floorspace transacted in the quarter.

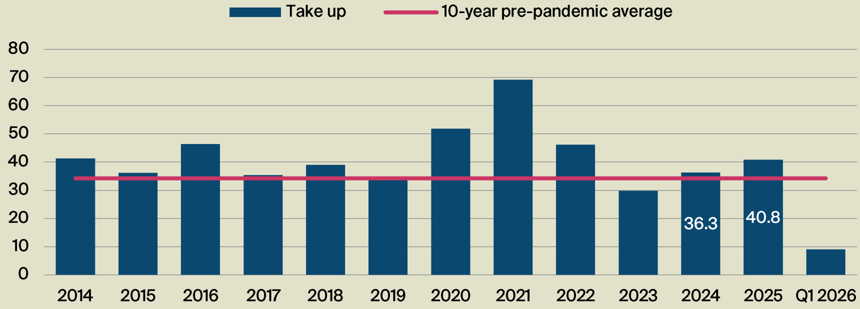
AVAILABILITY RISES AS SECOND-HAND STOCK RETURNS TO THE MARKET

Total available space rose to 95.6m sq ft in Q1, with 9.3m sq ft returning to the market during the quarter.
This pushed the vacancy rate up to 8.3%, from 7.5% at the end of 2025, with second-hand stock accounting for 82% of the increase in availability. Speculative development edged higher to 8.3m sq ft under construction across 56 buildings, although rising energy, material and financing costs are likely to constrain future starts.

RENTAL GROWTH CONTINUES, ALBEIT AT A SLOWER PACE

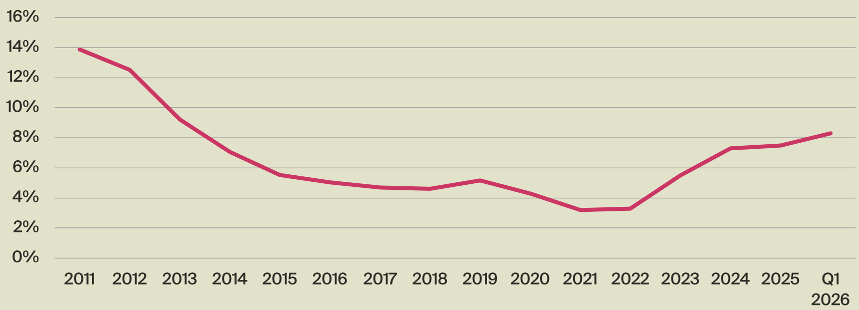
The occupational market continues to be supported by demand for high-quality, efficient buildings, but rental growth is expected to moderate from the stronger levels seen in 2025. Average UK rental growth is forecast at 2.4% in 2026, down from 4.2% in 2025, before easing further to 2.3% in 2027. Even so, constrained Grade-A supply and rising build costs should continue to support rental tone for the best-located, highest-quality space.

Take-up (units over 50,000 sq ft)
M sq ft



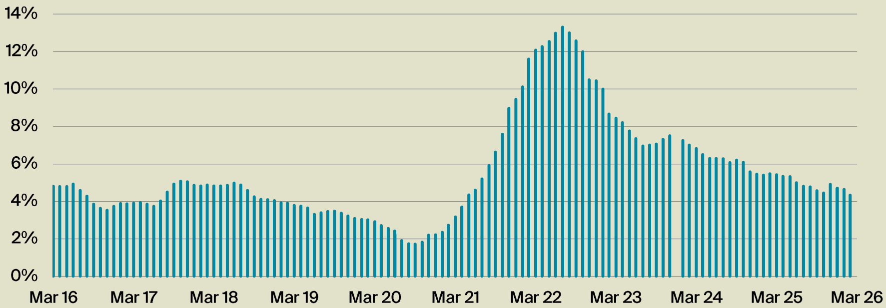
Source: Knight Frank Insight

Vacancy rate (units over 50,000 sq ft)
%



Source: Knight Frank Insight

Average annual market rental growth
% change annually



Source: Knight Frank Insight, MSCI

Retail & leisure

Retail, high street, shopping centres, out-of-town, leisure, foodstores and Central London

CONTACT: STEPHEN SPRINGHAM

Retail

Strong metrics in Q1, but fresh challenges from Q2 – not to mention the war in the Middle East, which has had limited impact to date

LULL BEFORE THE STORM?

Q1 was obviously punctuated by the war in the Middle East, which started on 28 Feb. and is ongoing. Retail metrics in the two months prior to that were almost universally strong. There was limited evidence of any immediate response to the war in March, except in sentiment. The principal negative impact for the retail sector will be rising oil prices that will put further, unwanted pressure on operating costs and inevitably result in higher inflation for some (but not all) retail sectors.

ALL QUIET ON THE WESTERN FRONT?

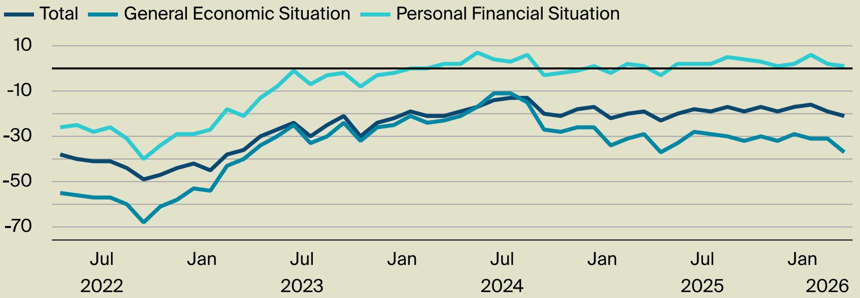
Retail demand held up during Q1 by any meaningful measure. Retail sales values (exc. fuel) grew +5.0% YoY, with volumes ahead by +3.4%. An exceptional Jan. (vals. +6.7%, vols +5.7% YoY) was followed by a strong Feb. (+4.1%, +2.7%) and Mar. (+4.1%, +1.7%), the latter boosted to some degree by the timing of Easter. Inflationary pressures will multiply going forward. Food prices are likely to track above CPI, but the situation in non-food is far more nuanced and many categories will track below. A worst case scenario would see retail sales volumes ('real growth') dip as the year unfolds, but retail sales values (underlying consumer spend) are likely to hold up regardless.

INVESTMENT ACTIVITY – A REAL MIX

Total retail investment volumes were £865.4m in Q1. This marked a -37% decline on Q1 in 2025 (£1.37bn) but masked a myriad of moving parts between sub-sectors. Retail warehousing (£319.4m) and foodstore (£71.4%) volumes showed significant YoY declines (-64% and -73% respectively) against bumper corresponding quarters in 2025, reflecting a lack of stock rather than an absence of investor demand. In contrast, Q1 shopping centre volumes (£335.1m) compared very favourably against a particularly lacklustre quarter the previous year (£19.5m).

Consumer confidence

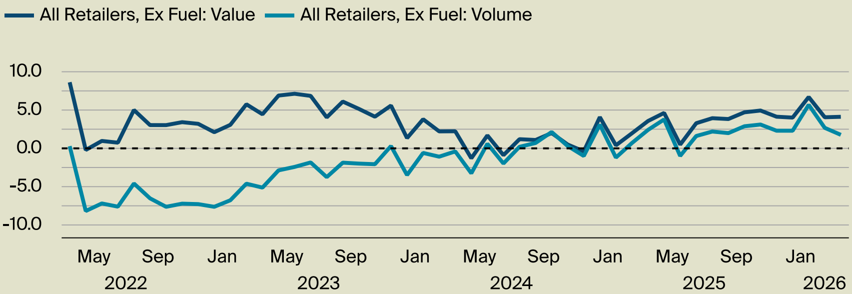
Confidence over the next 12 months



Source: Gfk

ONS retail sales

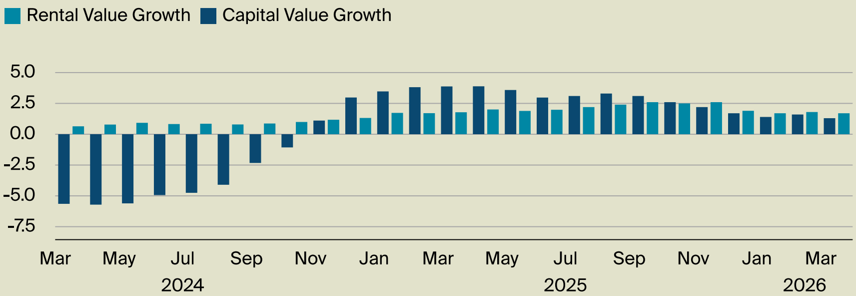
Monthly YoY change, %



Source: ONS

All retail – rental/capital value growth

Rolling 12 month % change



Source: MSCI

High street retail

No fall-out from the Middle East as yet and the welcome return of institutional investors

SPEND DEFIES WEAK FOOTFALL

Footfall trends were wildly out of kilter with retail sales patterns. High Street footfall was down -0.6% in January, slumping a further -4.7% in February, before recovering +2.4% in the run-up to Easter. Contrast this with robust retail sales value growth across the quarter (Jan. +6.7%, Feb. +4.1%, Mar. +4.1%.) Consumer demand remained strong for a number of core high street categories, including Jewellery & Watches (Q1 sales YoY +13.9%), Cosmetics (+10.6%), Books & Stationers (+7.2%) and Clothing (+6.1%), but others were more challenged e.g. Footwear (-1.3%) and Chemists (-15.8%).

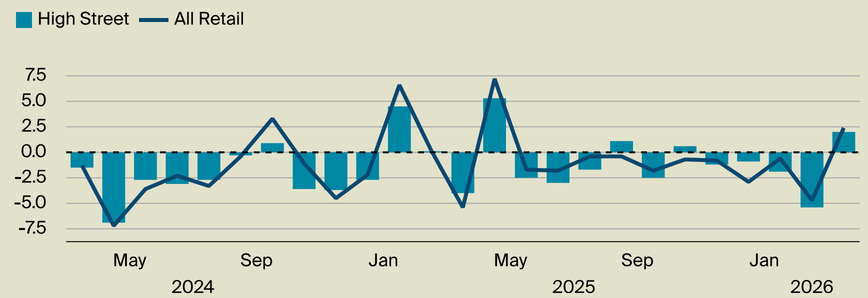
DISRUPTION FROM THE MIDDLE EAST?

The retail occupier response to events in the Middle East has been pragmatic. Few operators have a significant occupational presence in the region and those that do tend to be through franchise agreements. Equally, supply chain disruption should prove fairly limited – most food imports to the UK come from the EU and not through the Persian Gulf, in non-food little container ship traffic has passed through the Red Sea/Suez Canal since 2023/24 and has rerouted via the Cape of Good Hope. However, rising crude oil prices will result in higher operating costs, unwelcome added pressures to a further increase in the minimum wage and business rate re-ratings, which both came into force in April (after quarter-end). Against this backdrop, high street vacancy rates continued to improve, declining by -50bps YoY and -20bps QoQ , to end Q1 at 13.2%.

RETURN OF THE INSTITUTIONS?

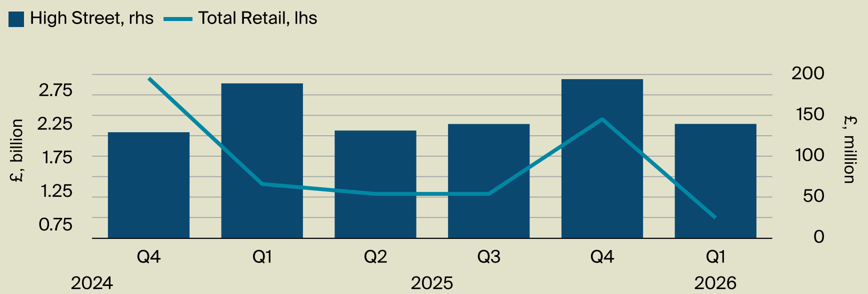
High Street investment volumes were £139.5m in Q1. Although this was -28% lower than in Q4, institutional investors are slowly returning to a market many vowed they would never touch again. Prime High Street yields hardened by a further -25bps in Q1 to 6.25%, -50bps lower than a year ago.

High street footfall
Monthly YoY change, %



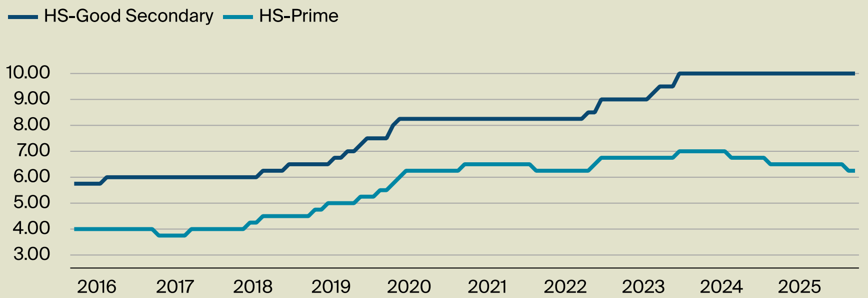
Source: BRC / Springboard

High street investment volumes



Source: Knight Frank Insight

High street yields
%



Source: Knight Frank

Shopping centres

Return of 'big ticket' deals, demonstrating breadth and depth of investor demand

A STRONG QUARTER FOR FASHION

As with High Streets, Shopping Centre footfall and retail sales were wildly out of sync for most of the quarter, the former weak (Jan: -0.8%, Feb: -5.5%, Mar: +2.6%), the latter robust (Jan: +6.7%, Feb: +4.1%, Mar: +4.1%.) The key positive for shopping centres remains strong consumer demand for several of its main constituent categories. Clothing demand was very strong in Q1 (values +6.1%, volumes +5.2%) but even this was eclipsed by both Cosmetics (+10.6%, +9.4%) and Watches & Jewellery (+13.9%, +5.1%).

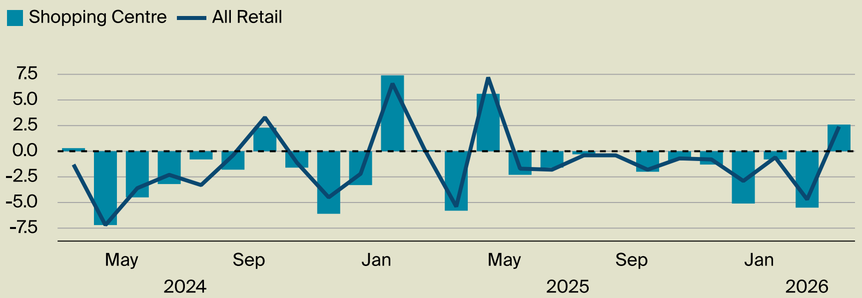
PRIVATE EQUITY-DRIVEN FALL OUT

There was a degree of occupier fall-out in Q1. Luxury operators LK Bennett (nine stores, 13 concessions) and Russell & Bromley (35) both entered administration but were acquired by Gordon Brothers and Next respectively. Two of Modella Capital's acquired businesses The Original Factory Shop (122) and Claire's (156) have both been liquidated, while widespread concerns over the future of TG Jones (formerly WH Smith) have proved justified since quarter-end, with up to 150 stores facing closure as part of a 'restructuring plan'. Shopping Centre vacancy rates crept up QoQ by +60bps (+10bps YoY) to end Q1 at 16.9%.

BRING ON THE BIG TICKETS

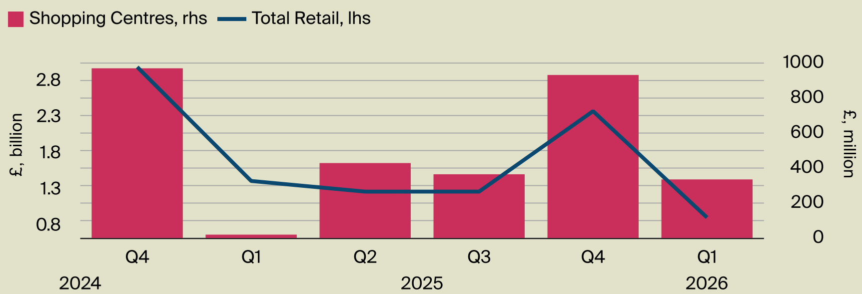
Q1 shopping centre volumes of £335.1m were someway between the paltry £19.5m in Q1 2025 and the bonanza £931.7m in Q4 2025. The Q1 2026 figures were boosted by a single, big ticket deal in the shape of the £290m Knight Frank sale of Merry Hill in the West Midlands, but the depth and breadth of demand (12 bidders, six over asking price) does augur well for the rest of the year, particularly as other ex-INTU schemes (e.g. Metrocentre Gateshead, Chantry Place Norwich) are being primed for sale.

Shopping centre footfall
Monthly YoY change, %



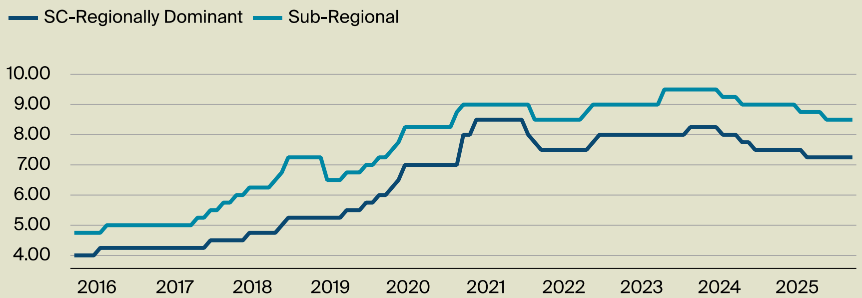
Source: BRC / Springboard

Shopping centre investment volumes



Source: Knight Frank Insight

Shopping centre yields
%



Source: Knight Frank

Out-of-town

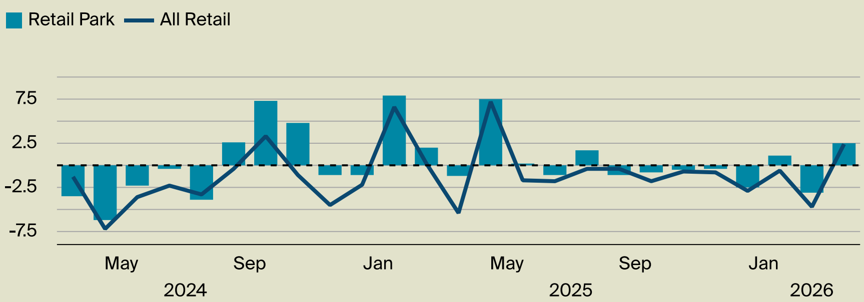
Record low vacancy rates + a limited development pipeline = a potential RWH supply 'crisis'?

SPEND DEFIES FOOTFALL WOBBLES
Q1 RWH footfall held up better than other retail channels, growing by +1.1% in Jan. and +2.5% in Mar., either side of -3.1% slump in Feb. In contrast, non-food retail sales values did not follow a similar patter (Jan: +6.7%, Feb: +2.8%, Mar: +2.8%). Collective non-food Q1 YoY growth of +4.2% belied a very variable demand profile across the core OOT segments. PCs/Telecomms (+16.5%) and Garden Centres/Petstores (+14.8%) were the two standout categories, while Sports/Toys (-5.9%) and Carpets (-8.7%) had tough quarters.

VACANCY RATES HIT RECORD LOWS
The OOT market was largely insulated from occupier fall-out in Q1, with failing operators (Claire's, The Original Factory Shop, Russell & Bromley, LK Bennett) largely in-town players. According to TW Associates, the RWH vacancy rate fell to 4.8% at the end of 2025, surpassing the previous record low of 4.9% in 2017. Any second hand floorspace from CVAs/administrations (e.g. Carpetright, Homebase) has been reabsorbed and new demand has far outweighed any rationalisation or downsizing. The top 10 fastest growing retail park tenants (headed by Home Bargains, The Range, Pure Gym, B&M and Mountain Warehouse) collectively added 1.7m sq ft of floorspace in 2025 (and 3.3m sq ft since 2023).

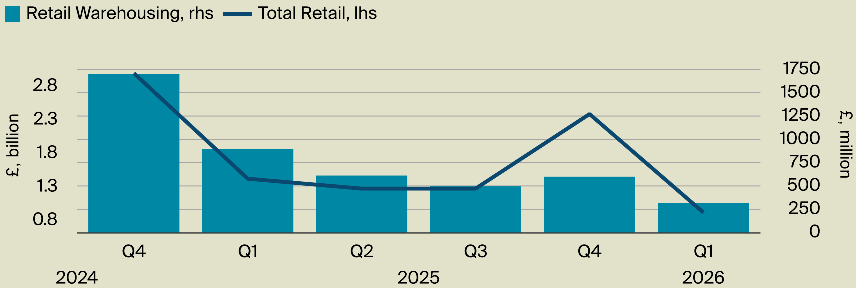
LACK OF STOCK, PLENTY OF INTEREST
RWH investment volumes remain somewhat depressed. A total of £319m was transacted in Q1 across 11 deals. This marked a -47% decline on Q4 and was less than half the £896m reported in the bonanza Q1 in 2025. Lack of stock remains the main constraint on volumes, rather than investor apathy. There is limited impetus for would-be vendors to sell in the current market, with landlords content to sit on the income.

Retail park footfall
Monthly YoY change, %



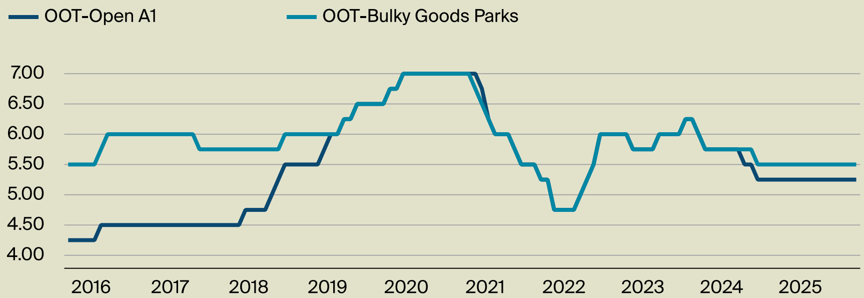
Source: BRC / Springboard

Retail warehousing investment volumes



Source: Knight Frank Insight

Retail warehouse yields
%



Source: Knight Frank

Leisure

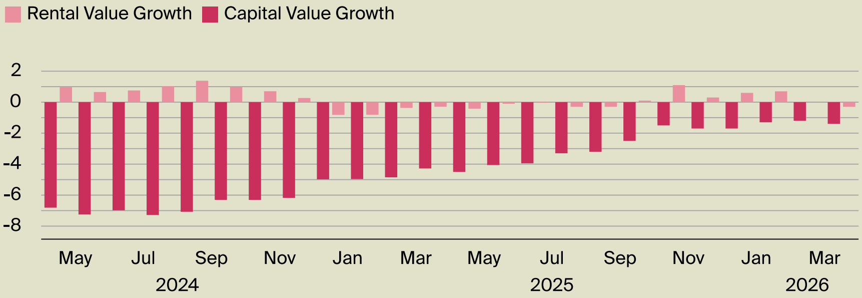
Feeling the heat already – with more pressure to come

MORE MEASURED SPEND
Leisure spending tends to be more sensitive to macro-economics. According to Barclaycard, spend on Eating & Drinking held up in Q1 (Jan: +1.2%, Feb: +2.4%, Mar: +1.5%), although Average Transaction Values (ATVs) were down each month, suggesting that consumers were trading down rather than up. Spending was strongest in Bars, Pubs & Clubs (Jan: +2.6%, Feb: +3.3%, Mar: +1.8%), but was more fragile in Takeaways & Fast Food (Jan: -0.3%, Feb: +1.3%, Mar: -0.3%). Market research from Barclays suggests a shift away from eating out to eating at home, with 40% of consumers saying that they are trying to cook more from scratch amid a continued focus on health and wellbeing.

F&B AT THE SHARP END OF COST RISES
NIQ's Hospitality Market Monitor lays bare the ongoing operational challenges facing the F&B sector. The latest report showed that UK Hospitality lost an average of three sites a day in a tough first quarter of 2026. Soaring costs for both businesses and consumers led to a -0.3% decline in the number of licensed premises in Q1. There were 98,609 outlets at the end of March 2026—305 fewer than in December 2025, and an average of 3.4 net closures per day. This represents is a second successive QoQ decline and suggests that momentum of closures in hospitality is starting to build, even before the rise in the minimum wage which took effect from April.

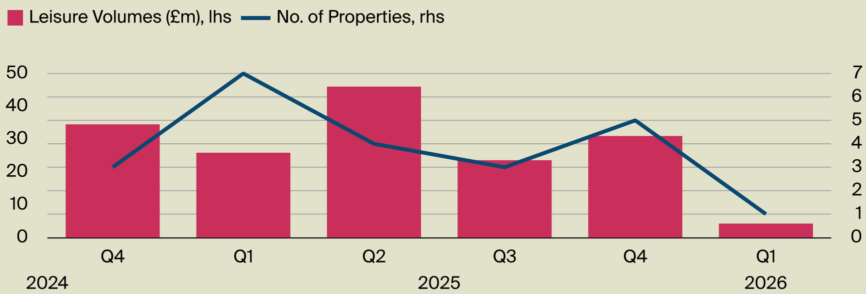
MUTED RENT AND CAPITAL GROWTH
According to MSCI, Leisure rents grew by just +0.1% in Q1. Capital values flatlined for the second successive quarter, taking rolling 12 month CVG to -1.0%. Question marks over tenant covenant strength continue to weigh heavily on investment markets, the recent CVAs of restaurants Franco Manca and The Real Greek underlining these concerns.

Leisure – rental / capital value growth
Rolling 12 month % change



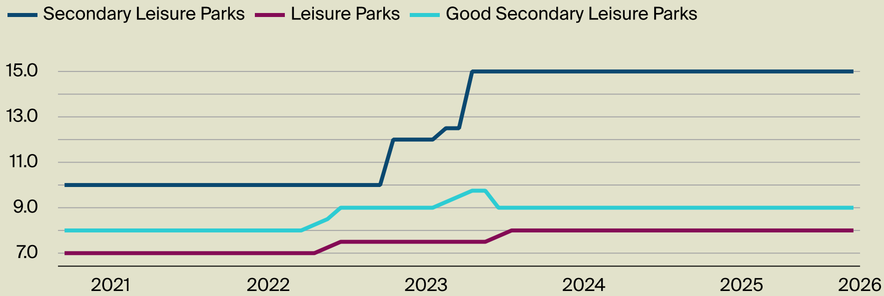
Source: MSCI

Leisure investment volumes



Source: RCA

Leisure yields
%



Source: Knight Frank

Foodstores

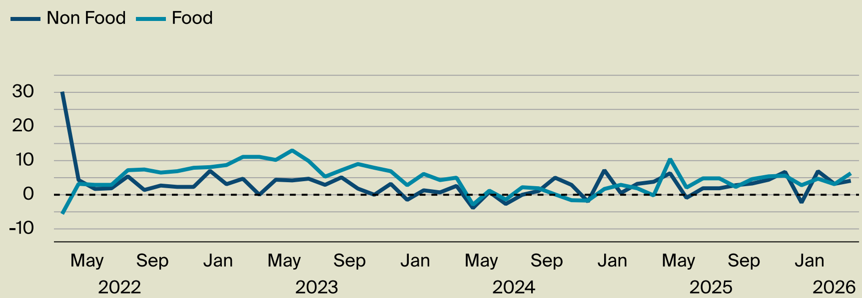
Inflation – how high will we go?

RISING INFLATION AN INEVITABILITY
Grocery demand remains solid. Foodstore retail sales values grew by +3.3% in Q1, but volumes only just scraped into positive growth territory (+0.1%). All eyes are on movements in grocery inflation in the wake of the war in the Middle East. Grocery inflation was +3.2% for Q1 as a whole, but there was a sharp move up from +2.6% in Feb. to +3.7% in Mar. Food prices are likely to track above CPI for the foreseeable future. Industry body IGD is projecting FY figures of +3.8% (if there is no escalation), a middle scenario of +4.8% and a worst case of +6.4%.

WINNERS VS LOSERS
The two market leading operators both reported strong FY figures in Q1 – Tesco's group sales were up +4.3% (+3.5% like-for-like). Sainsbury's retail sales up +4.9% (grocery sales +5.2%). Both gained market share. According to Worldpanel by Numerator, for the 12 weeks to 22 Mar. Tesco's market share grew 0.3 ppt to 28.0%, while Sainsbury's achieved the same gain to 15.6%. Lidl gained the largest market share (0.5 ppt), bringing it into line with Morrison's for the first time at 8.3%. Grocery operators will be disproportionately affected by additional cost pressures post April – as high employers, increases in the minimum wage will bite hard, while many supermarkets will fall foul of the >£500m threshold in business rate re-ratings.

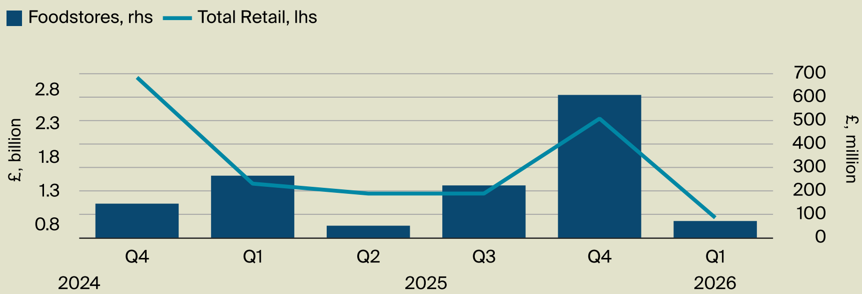
DEPRESSED VOLUMES
Supermarket volumes totalled just £71.4m in Q1, across just five deals. This does scant justice to the ongoing depth and breadth of investor demand and, as with RWH generally, is largely a reflection of scarcity of stock. Pricing on prime foodstores with annual RPI increases is stable at 4.75%, those subject to open market review at 5.25%. The keenest deal in Q1 was the sale of the Sainsbury's in Hoddesdon for £34m (5.00% NIY).

Food vs. non-food retail sales
Monthly YoY change, %



Source: ONS

Foodstore investment volumes



Source: Knight Frank

Foodstore yields
%

Source: Knight Frank

Central London

Footfall there, but spend remains elusive – visitors daytripping and showrooming, but not spending?

SPEND REMAINS ELUSIVE
Another quarter of three contrasting months – none particularly good. In January, domestic visitors came in droves (footfall +14.8%), international visitors stayed away (-5.2%), neither spent freely (-0.3%, -0.6%). A narrowing of the gap in February in terms of footfall (domestic +4.9%, international -1.1%), but worsening declines in spend (-2.3%, -1.7%). A measured upswing from international visitors in March in terms of both footfall (ca. +6%) and spend (+2.2%) but offset by domestic declines (-3.4% for both footfall and spend). Central London could potentially be a beneficiary of events in the Middle East. With much of the Middle East out-of-bounds for both domestic and international travel, many trips will divert to major global cities instead.

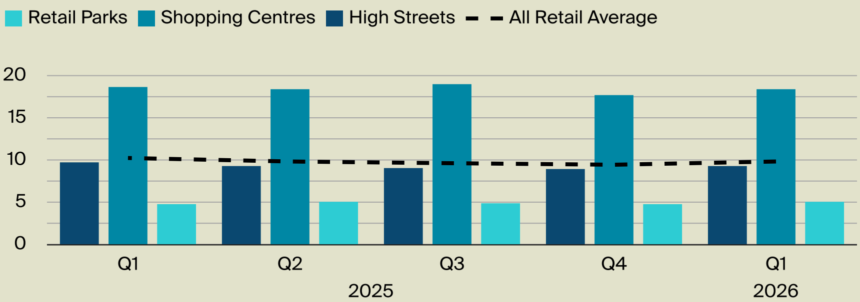
A SUBDUED OCCUPIER MARKET
CoStar lists 49 new retail leases signed in Q1 for Central London (Westminster and the City), totalling 99,900 sq ft of space. Even allowing for some degree of reporting time lag, both metrics were significantly below the five-year quarterly averages (117 and 317,000 sq ft) and marked the quietest quarter since COVID. High profile lettings in Q1 included a 4,400 sq ft store to Sephora at #5 -7 Carnaby Street. This follows the opening of the maiden UK store of the US fashion brand Edikted at #55 – 57 and the forthcoming (May 2026) return to the UK of Kookaï at #37.

STRONG PROPERTY METRICS
Standard Shops in Central London witnessed rental growth of +2.4% in Q1, with capital values increasing QoQ by +1.6%. This took the rolling annualised figures to +6.9% and +4.7% respectively. Reversing the trend of the previous quarter, rental growth in the West End (+2.4%) significantly outstripped City & Midtown (+0.6%), with both markets outpacing the rest of the capital (+0.5%).

West End footfall
% change YoY

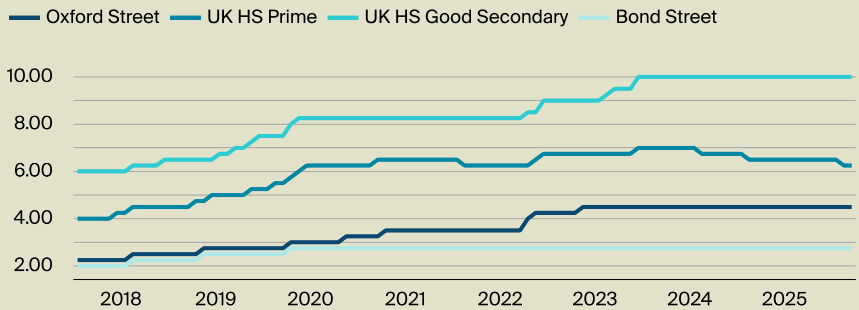
Source: New West End Company

Vacancy rates*
% units
*Greater London



Source: Green Street

Yields
%



Source: Knight Frank

Specialist sectors

Data centres, healthcare & life sciences

CONTACT: DATA CENTRES – DARREN MANSFIELD, HEALTHCARE – RYAN RICHARDS, LIFE SCIENCES – JENNIFER TOWNSEND

Data centres

Strong policy direction for AI capabilities in the UK, despite near-term demand volatility

AI HARDWARE STRATEGY SIGNALS PUSH FOR SOVEREIGN CAPABILITY

The UK Government has signalled continued commitment to scaling AI capabilities, with plans to launch a national AI Hardware Plan later this year. The initiative aims to strengthen the UK's position in semiconductor and chip design technologies. While details have yet to be outlined, it signals clear intent to reduce reliance on overseas supply chains and develop a more self-sufficient AI ecosystem. This comes as global chip revenues remain highly concentrated among a small number of companies, led by NVIDIA, followed by Samsung, SK Hynix and Intel, which together accounted for a third of global semiconductor revenues that year. Much of this capacity is heavily centred in East Asia, particularly Taiwan, Japan, China and South Korea.

STARGATE PAUSE HIGHLIGHTS SENSITIVITY IN AI-LED DEMAND

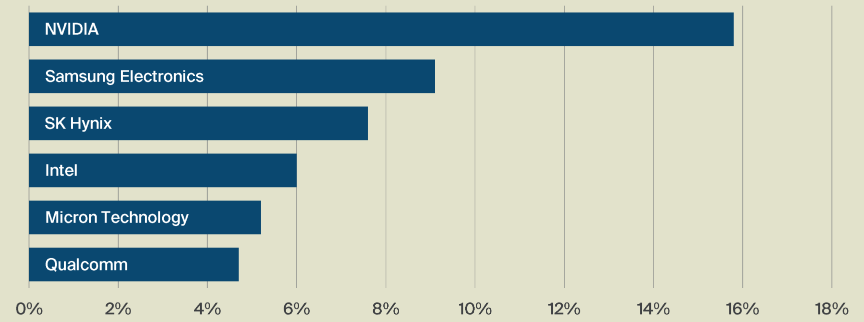
Despite clear policy direction, AI-driven data centre demand showed signs of volatility in the first quarter, following reports that OpenAI has paused progress on its proposed Stargate UK project, a flagship AI infrastructure scheme announced only months earlier. While this does not indicate a withdrawal from the UK market, OpenAI cited cost and policy as key factors, with investment timing likely to depend on greater clarity.

CAPACITY SCALING DESPITE ELECTRICITY COSTS PRESSURES

Electricity pricing remains a key consideration in the UK, with non-domestic rates rising from c.11p/kWh a decade ago to c.24p/kWh today, and although prices have eased from peak levels at the end of 2023, they remain more than double compared to a decade ago. But despite cost pressures, 2025 recorded the highest level of development completions on record (230MW), with a further 48MW delivered so far in 2026.

Just six companies account for almost half of global semiconductor revenue

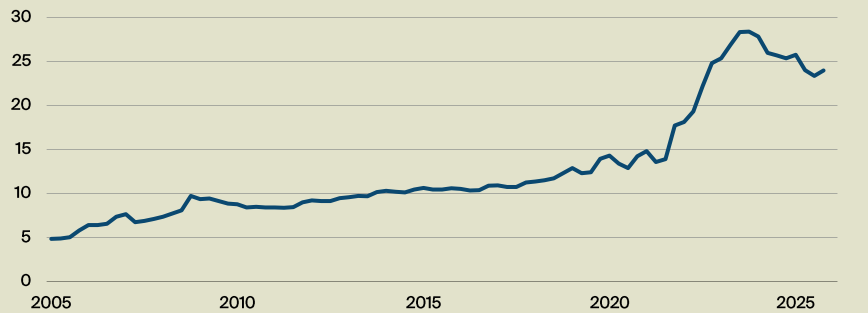
2025 market share by revenue (%)



Source: Knight Frank Insight, Gartner

Electricity prices have more than doubled over the past decade

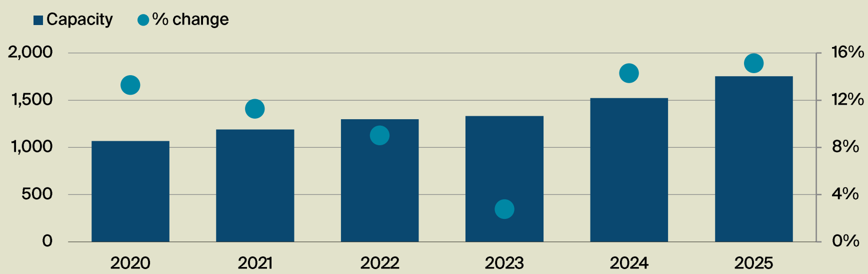
Average UK non-domestic electricity price (p/kWh)



Source: Knight Frank Insight, DESNZ

Over 420MW was added in the past two years alone

Live IT capacity (MW)



Source: Knight Frank Insight

Healthcare

M&A transactions likely to continue in 2026

SLOWER START OFF THE BACK OF LAST YEAR'S RECORD-BREAKING VOLUMES

Despite 2025 seeing a record high of recorded healthcare transaction volumes at £12.6bn, 2026 has started off at a slower pace. This, however, is by no means a cause for concern as we still anticipate an above average year despite it being unlikely to achieve the highs of last year.

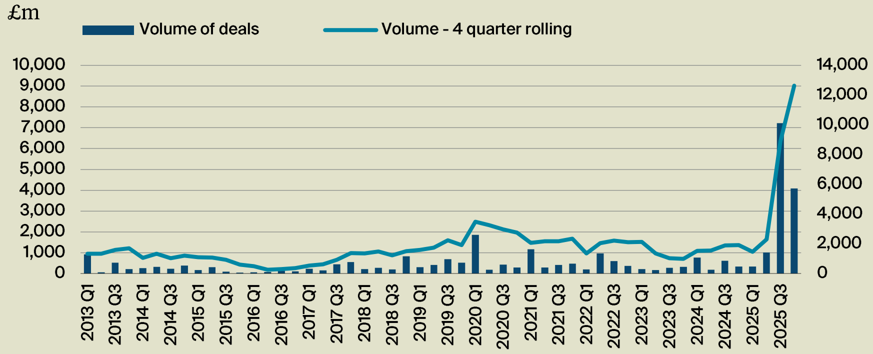
Transaction volumes this year are likely to be driven by further portfolio and M&A deals, with various care platforms looking to expand, alongside new capital looking for market entry opportunities. This demand isn't just focused purely on the elderly care space, as the adult specialist sub sector has also generated interest from investors.

In terms of market participants, we are seeing activity from the North American REITs such as CareTrust. Beyond this we could see further opportunity created as a result of the large amount of M&A that took place in the sector last year, as platforms and investors look at integrating recent acquisitions into their pre-existing portfolios, which could therefore lead to asset carve outs and disposals.

With a lens on the continent of Europe, with Aedifica and Cofinimmo merging to create Europe's largest and the world's 4th largest healthcare REIT at c.12bn Euros in AUM we could begin to see an even more competitive landscape. It is useful to note that, with the current composition of capital, there is a broad range of deal structures that are now possible in the sector, including the more conventional fixed income style transactions along with the recently adopted management agreements.

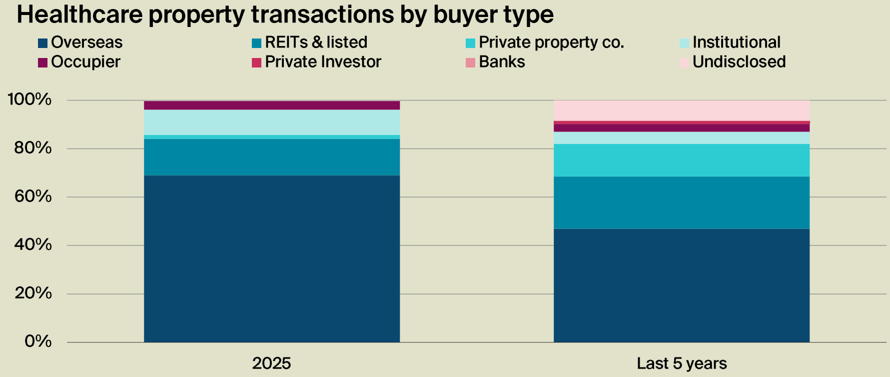
Overall, the sector is well placed, supported by strong sentiment and ongoing interest from new entrants, with further upside from investor consolidation improving platform efficiency and financial KPIs.

Recorded healthcare property transactions



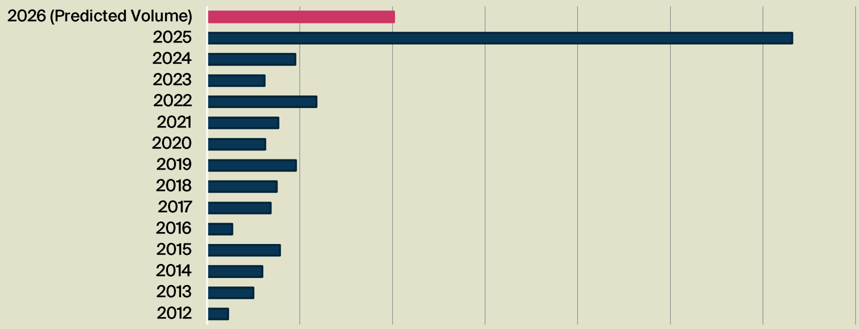
Source: Knight Frank Insight

Healthcare property transactions by buyer type



Source: Knight Frank Insight

Anticipated transaction volume*



*Large portfolio transactions not included in initial predictions

Source: Knight Frank Insight

Healthcare

Supply and demand issue remains despite substantial investment level in 2025

STAGNANT SUPPLY

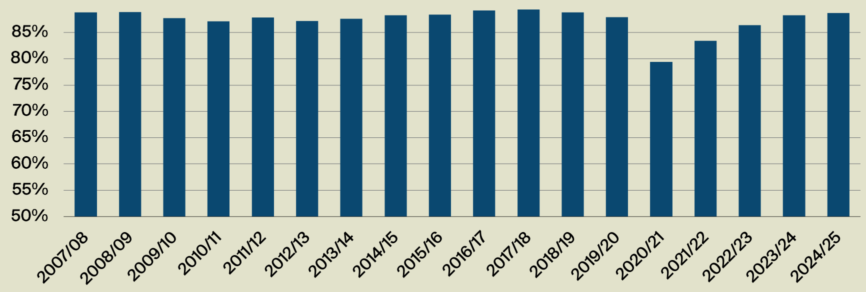
Since our last review, the supply of UK care beds has grown by just 136 beds. While this modest uplift reflects a combination of period adjustments and more granular analysis, distinguishing newly delivered beds from reopened provision, it nevertheless highlights the limited progress being made in addressing future deficits. More strikingly, while total bed supply has grown by only 2.4% over the past decade, the over-65 population has increased by approximately 16.2% over the same period.

There is also a trend towards higher levels of de-registrations over the past five years. Much of the deregistered stock comprises smaller, older homes, which larger, purpose-built facilities are gradually replacing. It is also important to acknowledge that improvements in data capture have ensured that bed losses are now more comprehensively recorded. We have also seen an average regional supply leakage of approximately 2.3%.

STRONG TRADING PERFORMANCE

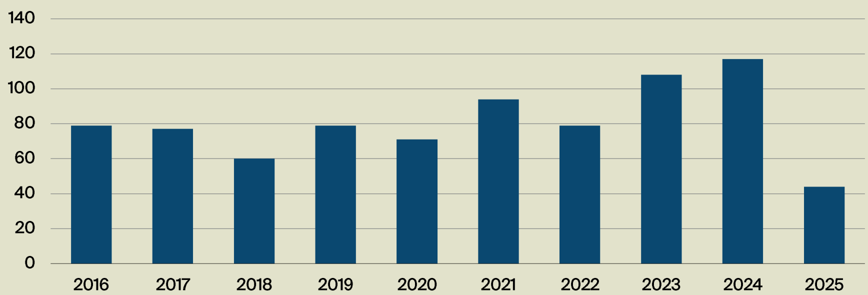
Our 2025 trading performance analysis, covering around one-fifth of the UK elderly care market, highlighted further occupancy improvements, as well as continued average weekly fee growth. As with previous years. 2025 saw staffing costs as a percentage of income fall to 55.3% from 56.7%, and the all-care average fee grow by around 10% YoY, now standing at £1,298 per week. We expect this trend to continue as the cost of care continues to rise. Occupancy rates are expected to remain strong, which, coupled with the above, should lead to an overall improvement in operator EBITDARMs, currently averaging 30.1%.

Occupancy
%



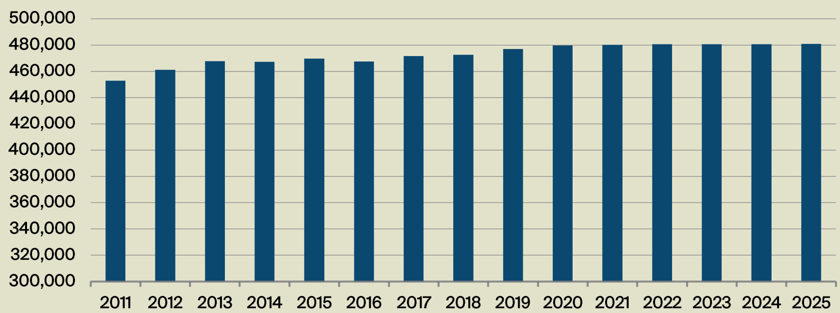
Source: Knight Frank Insight

New UK care homes completed



Source: Knight Frank Insight

Elderly Care Home Beds



Source: Knight Frank Insight

Life sciences

Funding remains highly concentrated in the Golden Triangle, but the overall company base is shrinking, even as government policy continues to support the sector

CAPITAL CONCENTRATES AS COMPANY NUMBERS SLIP

UK life sciences venture capital funding totalled £753.7m across 136 completed deals in Q1 2026, with the top ten deals accounting for 75.9% of disclosed value. The Golden Triangle captured 72.0% of deal value; AI and machine learning featured in 41.2% of deals.

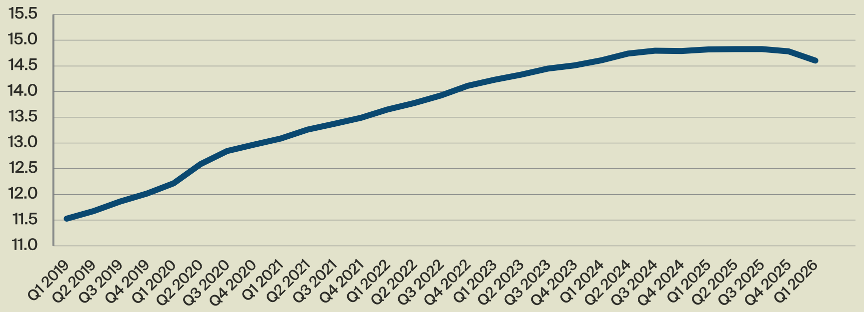
The Endpoints Global Biopharma Sentiment Index rose to 90 from 78, with all ten underlying measures improving and dealmaking cited as the leading source of optimism by respondents.

The active UK life sciences company count stood at 14,601, a net loss of 182 businesses on the prior quarter as formations slowed and closures rose. A reminder that the operating backdrop for earlier-stage tenants remains demanding.

The Chancellor's Mais Lecture delivered more than £6bn of commitments spanning quantum, AI and regional growth, including a £2bn quantum package anchored by the £1bn ProQure procurement programme, a £500m Sovereign AI Fund, and a doubling of Oxford–Cambridge corridor investment to £800m.

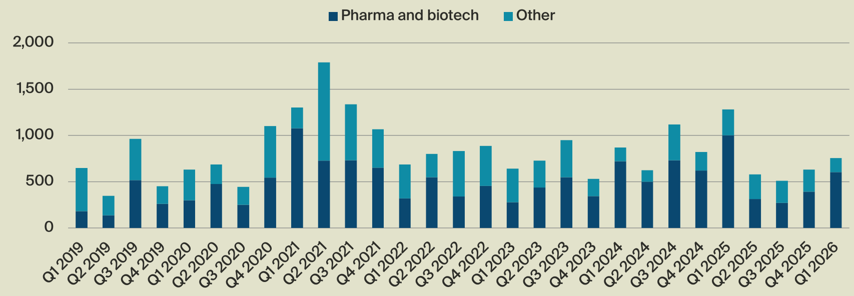
The UK has also secured zero tariffs on Pharmaceutical and MedTech exports to the United States for at least three years, and commercial clinical trial set-up times have fallen to 122 days, comfortably beating the 150-day target for March 2026. Post the quarter-end AstraZeneca confirmed it will resume its £300m investment in the UK, citing government policy as a key driver. There was further corporate investment in life sciences manufacturing facilities through the Life Sciences Innovation Manufacturing Fund.

Number of active UK life sciences companies
Thousands



Source: Knight Frank Insight, Beauhurst

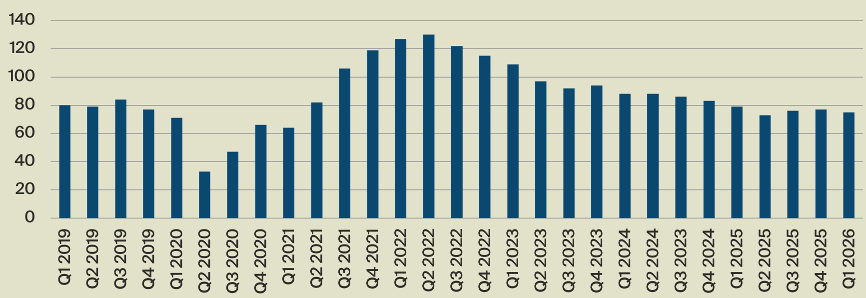
UK life sciences venture capital funding
VC funding into UK life sciences companies, £m



HQ only. Completed deals and full transactions only. Covers: Biopharma, MedTech and Digital health. Data as at 12/04/2026. The data in PitchBook is continuously updated to reflect the most current information. As a result, historical data may change over time.

Source: Knight Frank Insight, PitchBook

Vacancies: professional, scientific and tech
Thousands



Source: Knight Frank Insight, ONS

Life sciences

Q1 take-up strengthens, with Cambridge recording its strongest quarter on record as London demand and under offers rise, supported by a growing pipeline

CAMBRIDGE SETS THE PACE AS LONDON'S AI FOOTPRINT GROWS

Science and innovation leasing across the UK's Golden Triangle reached 234,779 sq ft in the first quarter of the year, 43.2% above the five-year average and 6.0% ahead of the same period in 2025.

Cambridge recorded 166,689 sq ft of take-up in Q1 2026, its strongest quarter on record and more than 200% above the five-year quarterly average of 55,267 sq ft. volumes.

The quarter was anchored by Cambridge Aerospace's 81,528 sq ft letting at Bourne Quarter and Bruntwood SciTech's 41,000 sq ft letting of the Da Vinci Building at Melbourn Science Park to Cellular Origins for its new global headquarters. A further 36,597 sq ft deal with 4 Base Bio at Q-Arc, Cambridge Science Park, completed the trio of larger transactions.

London science and innovation take-up totalled 22,100 sq ft across five deals after a blank Q4 2025. The pipeline is building: 85,600 sq ft of space is already under offer and 145,000 sq ft of active lab and office requirements are live in the market, a positive indicator for leasing volumes for the remainder of the year. Epoch Biodesign leased 13,800 sq ft at the Imperial College-backed Victoria Industrial Estate in North Acton, the largest transaction in the capital. The company raised $12m of later-stage venture funding in the same quarter.

Outside of lab space, the science and innovation economy is driving material office demand in the capital. Databricks pre-let the entire 136,300 sq ft of offices at Network W1, while Gilead Sciences has taken 50,000 sq ft of offices at British Land's 1 Triton Square. AI take-up in London totalled 313,000 sq ft in Q1. Momentum has carried into Q2, with around 250,000 sq ft already signed following April deals by OpenAI and Anthropic. This means year-to-date activity has already surpassed the full-year total for 2025, with more than 600,000 sq ft of active AI-led demand pointing to the potential for 1m sq ft of take-up by year-end.

Oxford registered 45,990 sq ft of leasing across four deals. This was down 91.4% on Q4 2025's outlier total, which saw the Ellison Institute of Technology acquire substantial space.

SUPPLY BUILDS WHILE INVESTMENT STALLS

The Golden Triangle's development pipeline, comprising projects under construction and due to complete by 2028, totals 3,685,984 sq ft, with delivery heavily front loaded: 42.9% is forecast for completion in 2026, 29.6% in 2027 and 27.5% in 2028. London leads with 45.4% of the total, ahead of Oxford at 31.1% and Cambridge at 23.5%. volumes.

Q1 2026 saw several key schemes complete across the region, including Trinity by Breakthrough in Oxford, which offers 215,000 sq ft of lab and office space across one of the most sustainable life sciences facilities in the region.

Planning activity was similarly robust: King's College London and Pioneer Group secured consent to transform a Grade II-listed former medical school on the Guy's and St Thomas' campus into a 176,528 sq ft lab and office scheme, while proposals were lodged for the 1m sq ft Whitechapel Healthcare and Research Campus, a £750m joint venture between BGO and Barts Health NHS Trust within the Barts Life Sciences Cluster.

While no investment transactions completed in Q1 2026, activity picked up immediately post quarter end with British Land's acquisition of Life Science REIT. The deal highlights how investment is increasingly concentrating among specialist investors building regionally strategic life sciences platforms.

Key contacts

Offices

Retail

Logistics & Industrial

Healthcare

Life Sciences

Data Centres

Student Property

Automotive

Capital Markets

Valuation & Advisory

Debt Advisory

Restructuring & Recovery

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