UK Real Estate Navigator

Knight Frank

Q3 2026

A quarterly review of the UK commercial real estate market

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Knight Frank

The headlines

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

Economy	Global and UK economies hold firm, but higher rates add to lingering risks.
Capital markets	UK CRE investment picks up pace in Q3, with volumes rising +35% QoQ to £11.5bn.
Offices	UK Cities: Although leasing activity finished below the long-term trend in Q3, YTD take-up is ahead of both the same period in 2025 and the five-year average. Office investment volumes continue to rise, with Q1-Q3 2026 volumes already surpassing last year's full-year total.
	South East: The scarcity of 'Best-in-Class' space continues to drive record rents in key locations. Although investment volumes remain low, interest momentum is building, with £450m of stock showing as under offer.
	London: Leasing volumes improved to 3.2m sq ft, supported by pre lets, while vacancy fell below the long-term average for the first time since COVID-19. Investment activity increased despite interest-rate volatility, as persistent undersupply in core submarkets continued to drive prime rental growth.
Industrial	Major portfolio transactions drive investment in Q3, with occupier demand resilient but increasingly selective.
Retail	Retail on course to be the best-performing CRE asset class for the third consecutive year (12-month total return 8.4%), with annual Shopping Centre and Retail Warehousing investment volumes both set to surpass £2bn in 2026.
Data centres	The 2026 Autumn Budget strengthens government support for data centres, prioritising strategic projects as competition for grid capacity intensifies.
Healthcare	Large deals continue to drive market momentum, with third quarter volumes near £1.5bn, keeping activity above long-term averages.
Life sciences	Look beyond the quarterly noise: YTD Golden Triangle life sciences take-up is at record levels, up +12% YoY and +31% on 2024.

Economic update

Global and UK economy

CONTACT: NIK POTTER, KHADIJA HUSSAIN



Global economy

The global economy is proving resilient, but risks have not receded

GLOBAL OUTLOOK: RESILIENCE HOLDS, BUT THE POLICY SQUEEZE TIGHTENS

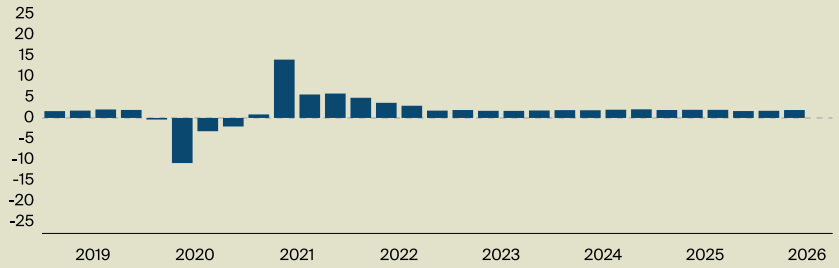
The global economy continued to prove more resilient than anticipated through Q3, despite persistent geopolitical uncertainty and renewed pressure from energy markets. Disruption in the Middle East remains a key risk, although economies have adapted better than initially feared.

Meanwhile, strong technology and AI-related investment has provided an important offset, supporting activity even as financing conditions remain restrictive. The result is an increasingly uneven global expansion rather than a broad-based slowdown.

Global growth nevertheless remains subdued. The IMF World Economic Outlook forecasts global GDP growth of 3.1% in 2026, rising to 3.4% in 2027. Beneath the headline, divergence remains pronounced. Economies benefiting from technology investment or favourable terms of trade are performing relatively well, while energy-importing economies remain more exposed. The US continues to demonstrate relative resilience, while emerging markets remain an important source of medium-term growth.

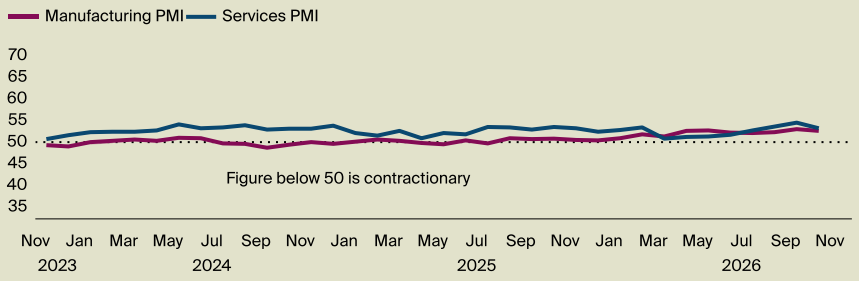
The IMF expects global inflation of 4.7% in 2026, easing to 4.1% in 2027, as higher energy and food costs slow the disinflation process. Energy volatility remains particularly important, while elevated government borrowing and sovereign bond yields are adding further pressure to financial conditions. Central banks consequently have limited room to ease aggressively, suggesting borrowing costs could remain higher for longer even as underlying economic growth remains relatively resilient.

Gross Domestic Product
Quarterly OECD countries GDP growth, % change YoY, seasonally adjusted



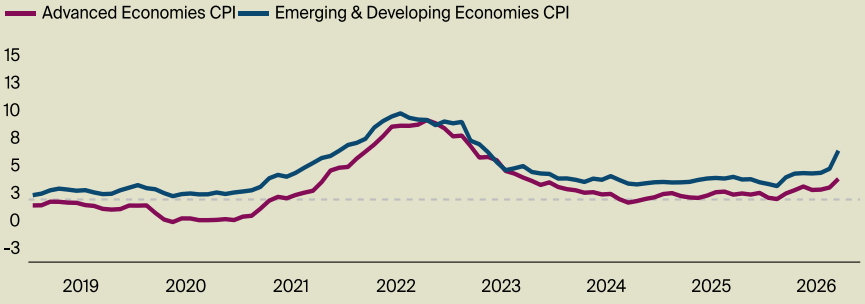
Source: Knight Frank Insight, Macrobond, OECD

Business Activity Index



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

Inflation
%



Source: Knight Frank Insight, Macrobond, World Bank

UK economy

UK economy holding firm, but rate increases add uncertainty

UK OUTLOOK: ECONOMIC RESILIENCE FACES A HIGHER-RATE TEST

The UK economy proved considerably more resilient than anticipated during Q3, despite elevated energy prices, higher borrowing costs and continued geopolitical uncertainty. However, firmer activity and renewed inflation pressures have also complicated the outlook for interest rates.

GDP expanded by +0.7% in Q3, following growth of +0.5% in Q2, with services providing the largest contribution. Consumer spending remained resilient, while business investment also increased, partly reflecting greater technology and AI-related expenditure. Nevertheless, growth remains uneven and higher household energy costs are expected to weigh on real incomes and consumption during 2027.

The labour market remains relatively soft, limiting the risk of a broader wage-price spiral. However, the resilience of domestic demand has increased the likelihood of further monetary tightening. The Bank of England (BoE) increased interest rates +25bps in November, with both Oxford Economics and Capital Economics now anticipating one additional increase, taking rates to 4.25% by early 2027.

PRIVATE SECTOR ACTIVITY REMAINS RESILIENT

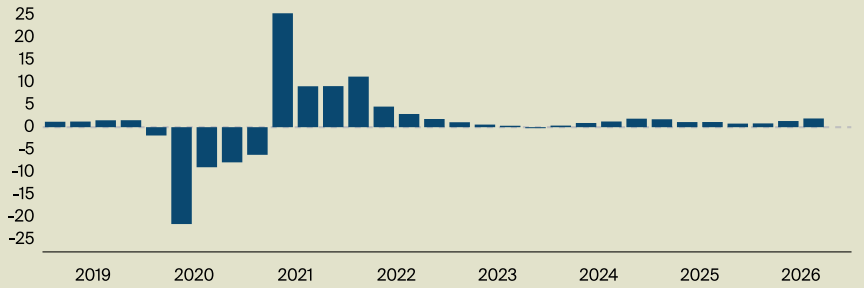
UK private-sector activity remained in expansionary territory during Q3. The composite PMI reached 51.7 in September, although momentum eased from 52.5 in August as higher costs and uncertainty weighed on confidence.

SECOND-ROUND EFFECTS REMAIN LIMITED

UK CPI inflation rose to 3.5% in September, its highest since October 2025, largely driven by higher fuel prices. With little evidence of broader second-round effects, Oxford Economics expects CPI to exceed 4% in early 2027 before returning to the 2% target by early 2028.

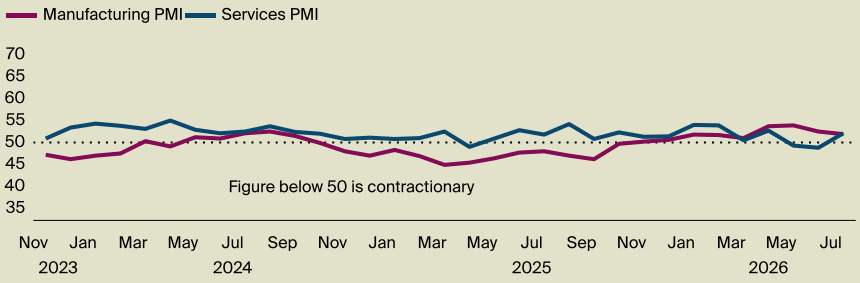
Gross Domestic Product

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



Source: Knight Frank Insight, Macrobond, ONS

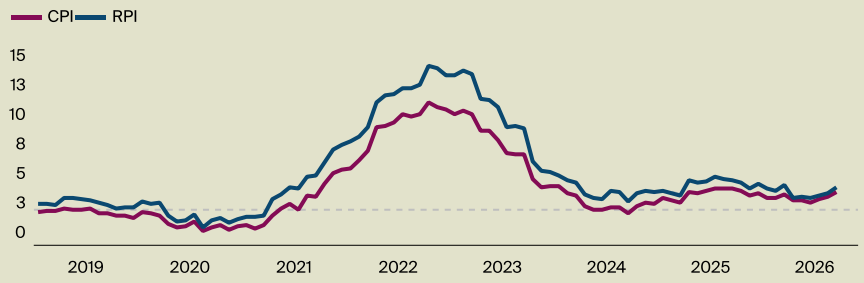
Business Activity Index



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

UK CRE investment picks up pace in Q3, with volumes rising +35% QoQ to £11.5bn

Q3 2026: A BRIGHT SPOT IN AN UNCERTAIN QUARTER

Global markets faced another unsettled quarter as conflict in the Middle East continued to drive uncertainty and volatility across energy and financial markets. UK CRE was a relative bright spot, with investment volumes rising to £11.5bn, the strongest quarter of 2026. Volumes increased by +35% from Q2, although they remained -29% below Q3 2025, pointing to a gradual and selective improvement rather than a broad-based recovery. The increase is nevertheless encouraging given the continued volatility in bond yields and swap rates.

Offices led activity at £3.2bn, followed by Logistics (£2.9bn), Living (£2.0bn), Healthcare (£1.5bn), Retail (£1.1bn) and Hotels (£0.8bn). Logistics and Offices recorded the strongest YoY growth in Q3, with investment increasing by +49% and +41% respectively.

Cross-border investment totalled £5.9bn in Q3, up +36% from Q2, providing further evidence that international capital remains willing to deploy into the UK where pricing and asset quality are compelling.

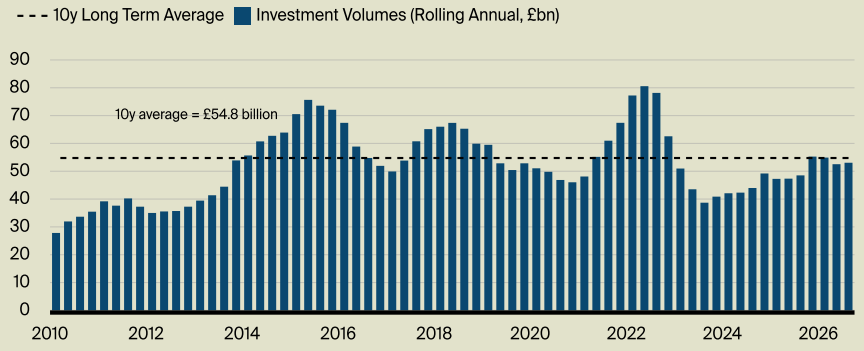
MARKETS SETTLE BUT RATE PRESSURES REMAIN

The path ahead is likely to remain uneven. The BoE's decision to raise Bank Rate to 4.00% has reinforced expectations that borrowing costs will remain elevated, albeit we expect this to mark the start of a modest and short-lived period of tightening, rather than the more sustained increase markets expect.

The relative stability in financial markets following the Autumn Budget should help support investor confidence. Capital will remain selective, favouring assets with secure income, strong covenants and resilient fundamentals. Even so, improving conditions should allow the market to build on Q3's momentum through Q4 and into 2027.

UK quarterly investment volumes

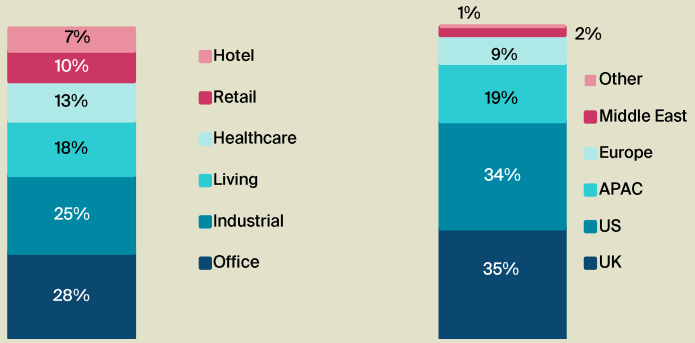
Quarterly investment volumes, rolling average



Source: Knight Frank Insight, RCA

Investment volume breakdown

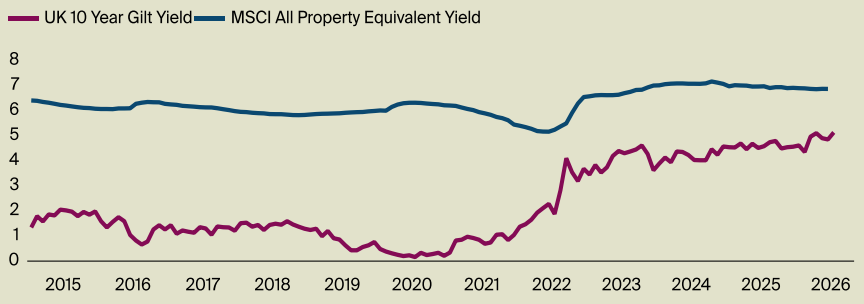
% of Q3 2026 volume



Source: Knight Frank Insight, RCA

Property equivalent yield and UK 10 year gilt yield

%

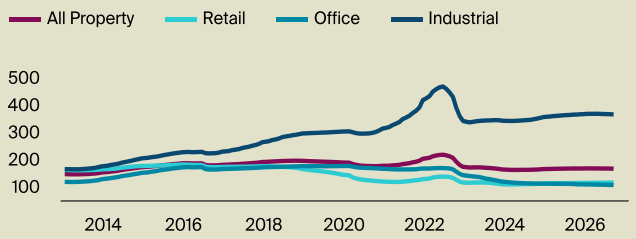


Source: Knight Frank Insight, Macrobond, MSCI

Capital markets

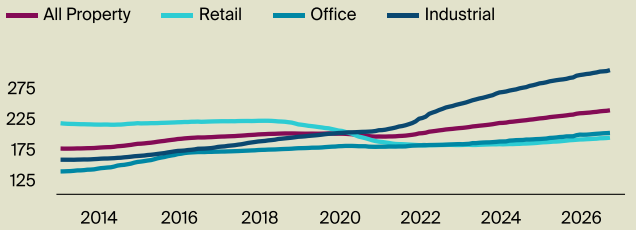
Offices forecast to lead rental growth in 2027, while Industrial is expected to deliver the strongest capital growth

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

RE:UK Capital Value Growth Forecast
%, September 2026 forecast



Source: Knight Frank Insight, RE:UK

RE:UK Rental Value Growth Forecast
%, September 2026 forecast



Source: Knight Frank Insight, RE:UK

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 and outlook improve but remain below trend

INVESTMENT IMPROVES BUT REMAINS SUBDUED

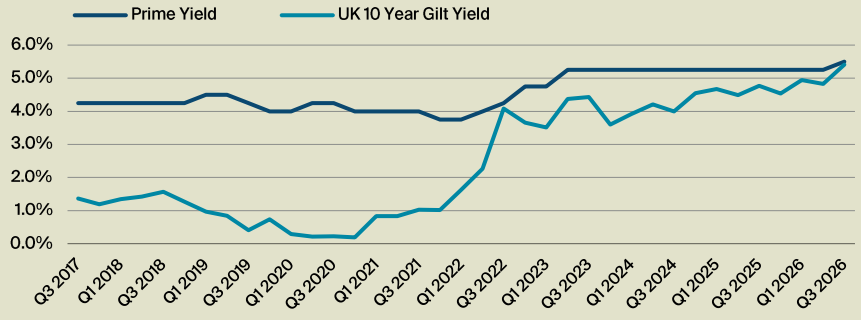
Investment turnover edged up by 3.2% to £0.4bn in Q3 but remained well below the long-term quarterly average of £1.6bn. The improvement is welcome, although the modest liquidity poses a continued challenge to investors trying to price risk. This brought the YTD turnover to just under £1.6bn, some 34.4% below the same point in 2025.

Forward indicators strengthened more clearly. Assets under offer rose to £1.9bn, a 250.3% quarterly increase, while marketed availability increased by 34.5% to £2.4bn. This creates a stronger prospective transaction pipeline, although risk remains for deals in solicitors' hands.

Prime yields moved outward by 25bps to 5.50% in Q3. This reflects a necessary adjustment to the higher cost of capital rather than weakening occupational fundamentals.

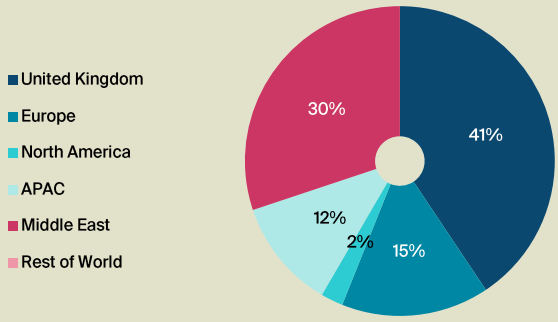
Financing conditions remain restrictive, and investors require greater compensation for property risk, even as prime office markets benefit from tightening supply and rental growth. This repricing reflects current return requirements, creating a more sustainable entry point for capital and allowing future performance to be driven increasingly by income growth rather than yield compression.

City & Southbank: Prime yield and UK 10 year gilt yield
Q3 2026, % per annum



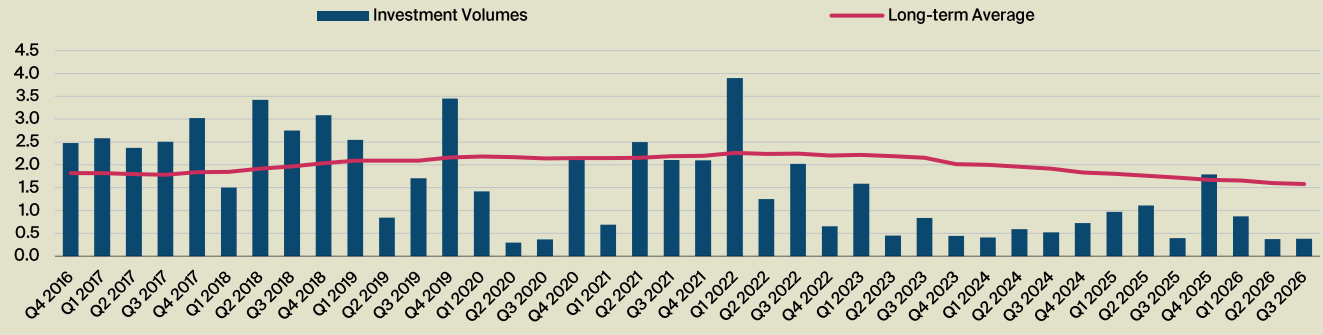
Source: Knight Frank Insight

City & Southbank: Investment volumes by nationality
Q3 2026, % of total investment



Source: Knight Frank Insight

City & Southbank: Investment volumes relative to trend
£bn



Source: Knight Frank Insight

City & Southbank offices

Return of larger transactions drives market performance

LARGE DEALS DRIVE LEASING LEVELS

Take-up across the City & Southbank market increased by 55.4% to 2.1m sq ft in Q3, reversing the previous quarter's decline and exceeding the long-term quarterly average. The return of large commitments was instrumental, led by Jane Street Capital's 470,000 sq ft off-plan pre-let at One Spitalfields, E1 and Mishcon de Reya's 160,569 sq ft letting at MidCity Place, WC1. These transactions demonstrate continued appetite from larger occupiers, although they also underline the influence of individual deals on quarterly volumes.

The quarter's recovery was not confined to the largest transactions. Morningstar acquired 75,905 sq ft at One Millennium Bridge, EC4, Fora took 70,812 sq ft at Bow Bells House, EC4 and Oracle committed to 61,929 sq ft at One Exchange Square, EC2. This provides evidence of activity across a range of occupier types and requirement sizes, rather than reliance on a single source of demand. Almost 85% of Q3 take-up was focused on new or refurbished stock. Near-term deal flow also remained encouraging. Space under offer increased by 2.9% to 2.5m sq ft at the end of Q3, despite recent completions of major transactions.

FINANCIAL FIRMS ELEVATE DEMAND

Jane Street Capital's commitment reinforced the importance of financial occupiers to the City market, with the wider financial sector accounting for 38.4% of quarterly leasing activity. The professional services sector accounted for a further 18.2% of take-up, followed by the TMT sector which represented an additional 17.2%.

Active requirements stood at 7.9m sq ft, down 14.9% over the quarter but 28.8% above the same point last year. The reduction should be considered alongside substantial lettings that removed requirements from the pipeline.

SUPPLY CONTINUES TO FALL

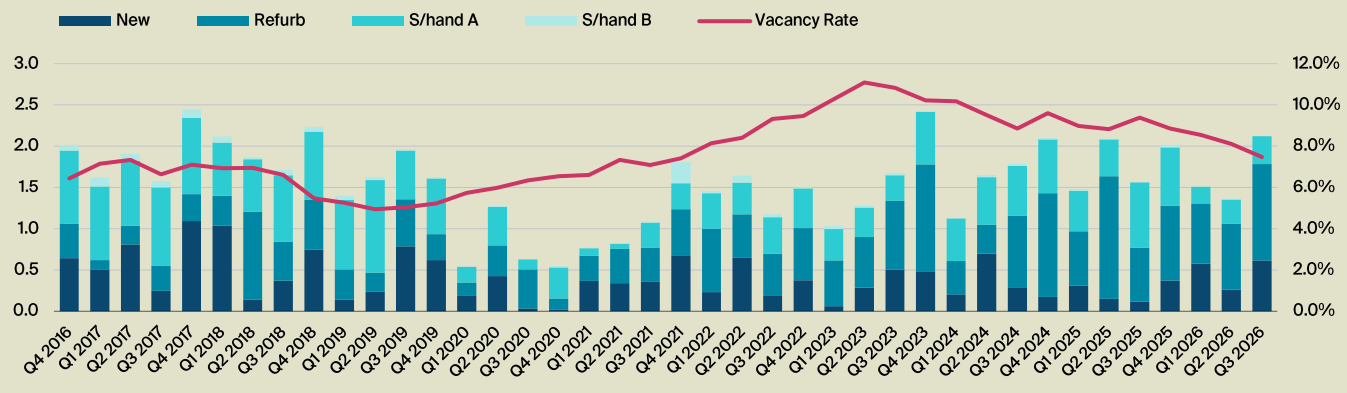
Availability fell by 7.2% over the quarter to 11.0m sq ft, an 18.5% reduction over the year. The overall vacancy rate declined from 8.1% to 7.5%, moving below the long-term average of 7.8%. New and refurbished vacancy also tightened, falling from 6.2% to 5.7%, although it remained above its 4.3% long-term average. Conditions therefore continue to vary by building quality and location. Looking ahead, the supply shortfall is not expected to dissipate, with 7.6m sq ft under construction. Of that, 19.0% is already pre-let, leaving just 6.1m sq ft being delivered speculatively. The City & Southbank market is forecast to be undersupplied by 5.7m sq ft by the end of 2030, which could become more acute should further pre-let activity occur.

CITY CORE PRIME RENT MOVES HIGHER

City Core prime rent increased from £102.50 to £112.50 per sq ft in Q3. Other City & Southbank prime benchmarks were unchanged, including Clerkenwell/Farringdon at £92.50, Midtown at £85.00 and Southbank Core at £90.00 per sq ft.

City & Southbank: Take-up by quality and vacancy rate

M sq ft (LHS), % of stock (RHS)



Source: Knight Frank Insight

West End offices

West End investment recovers as 'safe haven' qualities shine

INVESTMENT VOLUMES RECOVER

West End investment turnover increased by 44.9% to £1.3bn in Q3, up 12.7% on Q3 2025 and above the long-term quarterly average of £1.2bn. This represented approximately 52% of London investment activity, reinforcing the West End's status as a 'safe haven', and enticing investors whilst barriers to entry remain low.

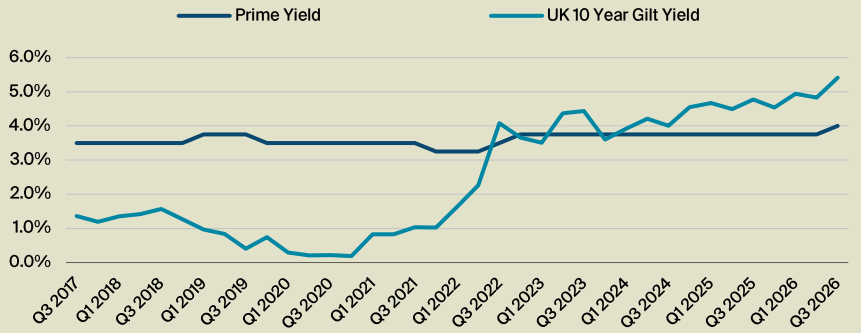
Large transactions included 1 St James's Square, SW1 at £291m, 123 Victoria Street, SW1 at £211m and 27 Savile Row, W1 at £105m. Other notable commitments included 16 Berkeley Street, W1 at £81.5m and 25 Great Pulteney Street, W1 at £73m.

Value-add opportunities were in highest demand, representing 52.0% of Q3 turnover. Core assets accounted for an additional 25.1% whilst the balance was Core Plus assets at 22.9%.

Assets under offer fell by 31.2% to £1.3bn but remained above the long-term average of £1.0bn. Marketed availability also declined, by 41.2% to £1.6bn. Prime yields have risen by 25bps to 4.00%, although investor appetite is less sensitive to changing interest rates in the West End.

West End: Prime yield and UK 10 year gilt yield

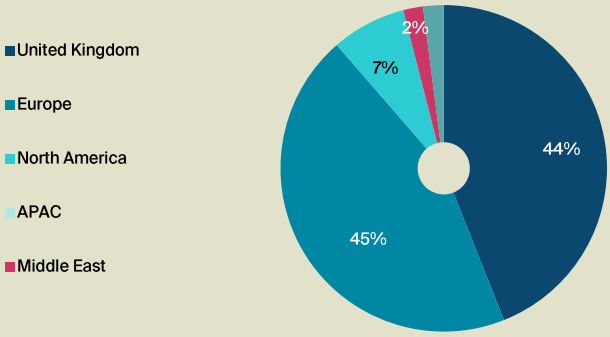
Q3 2026, % per annum



Source: Knight Frank Insight

West End: Investment volumes by nationality

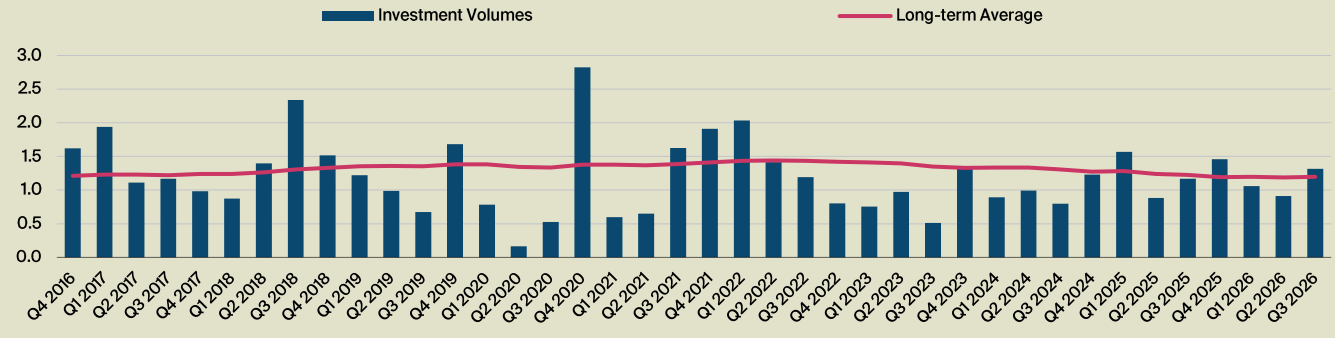
Q3 2026, % of total investment



Source: Knight Frank Insight

West End: Investment volumes relative to trend

£bn



Source: Knight Frank Insight

West End offices

Take-up drops but forward-looking metrics remain positive

TAKE-UP MODERATES AFTER A STRONG Q2

West End take-up reached 890,202 sq ft in Q3, down 37.0% from the exceptionally strong Q2 but 5.7% ahead of Q3 2025. YTD activity reached approximately 3.2m sq ft, compared with 2.8m sq ft at the same point last year. The quarterly dip should therefore be read against a markedly stronger YTD performance.

The two largest published lettings were Microsoft's 94,239 sq ft acquisition at Film House, W1 and Safe AI's 82,769 sq ft commitment at Reflector, NW1. In contrast to Q2, which saw Anthropic take 158,138 sq ft at 1 Triton Square, NW1, neither deal surpassed the 100,000 sq ft mark.

New and refurbished take-up totalled 609,675 sq ft, accounting for 68.5% of Q3 activity. The continued preference for quality accommodation has become a central feature of this cycle, even as overall volumes moderate. There were 145 transactions during the quarter, providing a broader base of activity.

ACTIVITY EXTENDS ACROSS THE WEST END

The quarter's leading transactions were spread across several locations. Microsoft's Film House commitment supported activity in Soho, while Safe AI added to the concentration of AI occupiers in King's Cross/Euston. Marks & Spencer acquired 45,834 sq ft at 5 Merchant Square, W2, Hamilton Lane took 28,439 sq ft at Verde, SW1 and Park Square Capital committed to 28,105 sq ft at The Elephant, W1.

AI REMAINS AN IMPORTANT SOURCE OF DEMAND

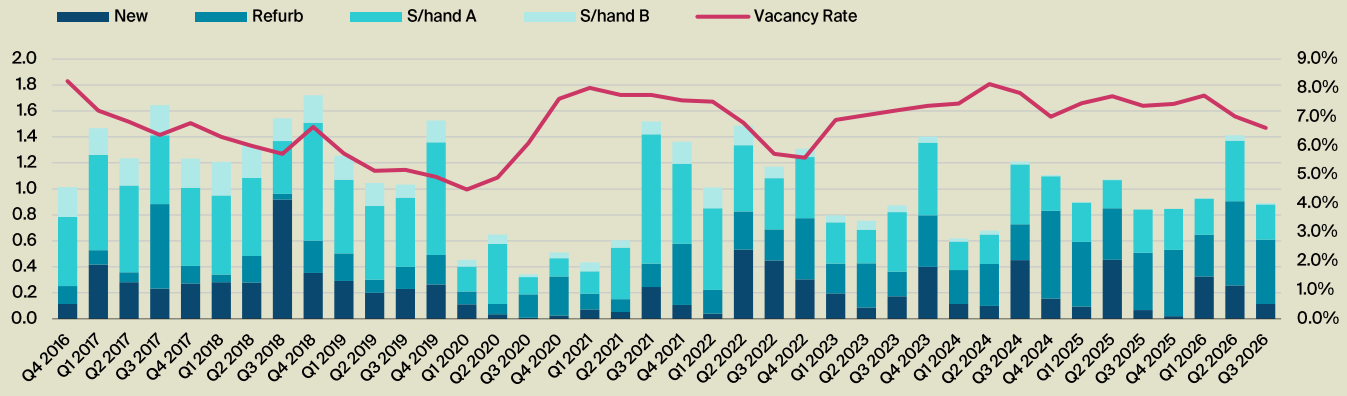
AI occupiers continued to make a significant contribution, with Microsoft and Safe AI accounting for the two largest West End lettings in Q3. Approximately 0.8m sq ft has been let to AI-related occupiers in the West End during 2026 to date, representing 75% of the London total. This boosted the overall performance of the wider TMT sector, which accounted for 28.5% of Q3 take-up. The financial sector remained active, representing 24.1% of Q3 leasing activity – which signalled a 32.1% jump over the quarter.

DEMAND ROBUST AS VACANCY FALLS BELOW TREND

Space under offer increased by 39.1% to 1.3m sq ft at the end of Q3, reversing the previous quarter's decline. It was also 40.7% above the level a year earlier, providing an encouraging indicator of prospective leasing activity. Active demand was broadly stable at just under 3.4m sq ft and stood 74.2% above Q3 2025. Availability fell by 4.0% over the quarter to 6.7m sq ft, lowering the overall vacancy rate from 7.0% to 6.6%, below the long-term average of 6.8%. For occupiers seeking both scale and quality, options are reducing significantly. Availability of new or refurbished units of 100,000 sq ft+ fell by 13.2% over the quarter, which will add further pressure on larger-scale occupiers to weigh up the prospect of entering the pre-let market, or indeed consider the renewal proposition.

West End: Take-up by quality and vacancy rate

M sq ft (LHS), % of stock (RHS)



Source: Knight Frank Insight

Docklands & Stratford offices

Docklands & Stratford sees continued momentum in leasing and investment

LARGE CANARY WHARF LETTING SUPPORTS ACTIVITY

Docklands & Stratford take-up reached approximately 0.2m sq ft in Q3, down 32.8% from the previous quarter and 31.3% YoY. Activity was slightly above the long-term quarterly average of 0.2m sq ft. The quarter therefore represents moderation after a strong Q2 rather than a return to the subdued start to the year. Deutsche Bank's 152,791 sq ft acquisition at YY London, E14 dominated activity, demonstrating continued appetite for substantial commitments in Canary Wharf. Other lettings included a confidential 23,700 sq ft acquisition at The Columbus Building, E14 and MLA College's 22,858 sq ft letting at the Import Building, Republic, E14.

These commitments provide further evidence of a broader occupier mix, although the quarter remained heavily influenced by one large transaction. This dominance meant that 99.0% of take-up in Q3 was focused on new or refurbished space, and 87.5% over the last 12 months.

AVAILABILITY CONTINUES DOWNWARD TREND

Availability fell by 18.0% over the quarter to 2.2m sq ft, a 31.8% decline over the year. The overall vacancy rate dropped from 10.7% to 8.8%, below the long-term average of 11.4%. This represents a meaningful reduction in available supply, although conditions remain different across the market's constituent locations.

New and refurbished vacancy declined from 7.5% to 5.8%. Canary Wharf's overall vacancy rate stood at 8.0%, compared with 5.7% in the Rest of Docklands and 17.4% in Stratford. These differences underline the nuance behind the aggregate figures.

The development outlook remains consistent with the previous quarter, with 0.8m sq ft under construction across the Docklands & Stratford market, all of which was available at the end of Q3.

PRIME RENTS HOLD FIRM

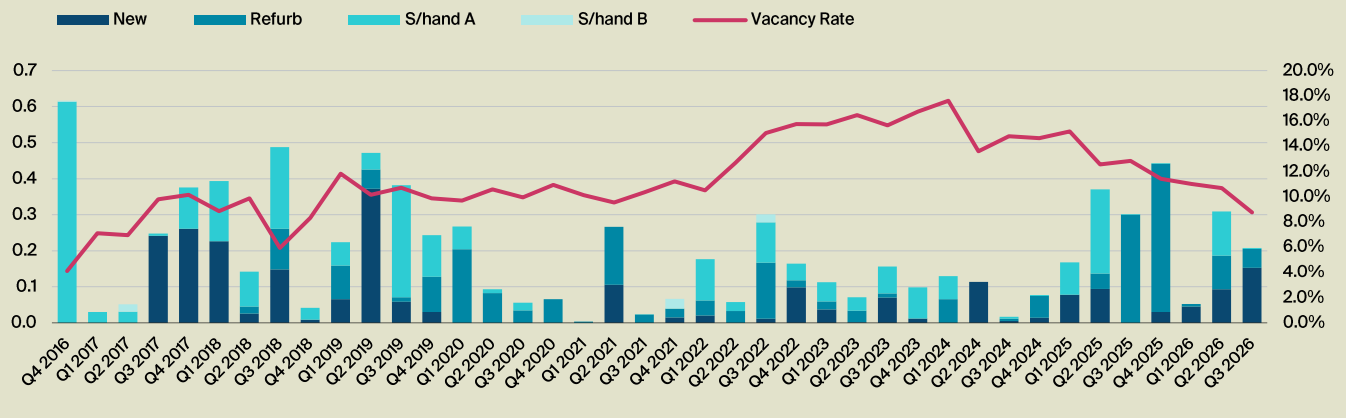
Prime rents in Canary Wharf remained unchanged at £62.50 per sq ft following the previous quarter's uplift. Headline rents in the Rest of Docklands and Stratford submarkets were also stable at £32.50 and £48.50 per sq ft, respectively.

FURTHER INVESTMENT ACTIVITY IN CANARY WHARF CONTINUES MOMENTUM

Investment turnover reached approximately £0.9bn in Q3, up 12.7% over the quarter and 234.0% against the long-term average. Activity comprised the £625m acquisition of HQ, 1–5 Bank Street, E14 by BGRE/QIA and Telehouse's £220m acquisition of The Inventory, East India Dock, E14. Assets under offer fell by 37.4% to approximately £0.2bn, while prime yields remained unchanged at 7.50% and represents attractive pricing especially in Canary Wharf where leasing fundamentals are improving.

Docklands & Stratford: Take-up by quality and vacancy rate

M sq ft, % of stock (RHS)



Source: Knight Frank Insight

South East offices

Gradual recovery in investment volumes, supported by higher-value transactions

INVESTMENT VOLUMES REMAIN LOW

Investment activity across the South East and Greater London reached its highest level of the year, with £389m transacted across 22 deals during the quarter. This marked a 12% increase on Q3 2025, although investment volumes remained 22% below the five-year average.

YTD investment volumes have reached £754m, down 14% on the same period in 2025 (£878m). The decline largely reflects lower transaction activity, with 66 deals completed compared with 93 last year. Despite fewer transactions, the average lot size increased from £9.4m to £11.5m, indicating a shift towards larger deals.

LARGER DEALS LIFT AVERAGE LOT SIZES

The average lot size in Q3 though was £17.7m, its highest level since Q4 2024. While still below the five-year average of £19m, the increase suggests that larger transactions are returning to the market despite overall activity remaining subdued.

The largest transactions in Q3 2026 were Systems Hammersmith, acquired by JD.com Inc for £90m, and Lakeshore Heathrow, acquired by Greycoat for £75m. Together with the Life Sciences REIT Portfolio transaction in Q2, this brings the number of £50m+ deals to three YTD, compared with just one over the same period in 2025.

STOCK AVAILABILITY INCREASING

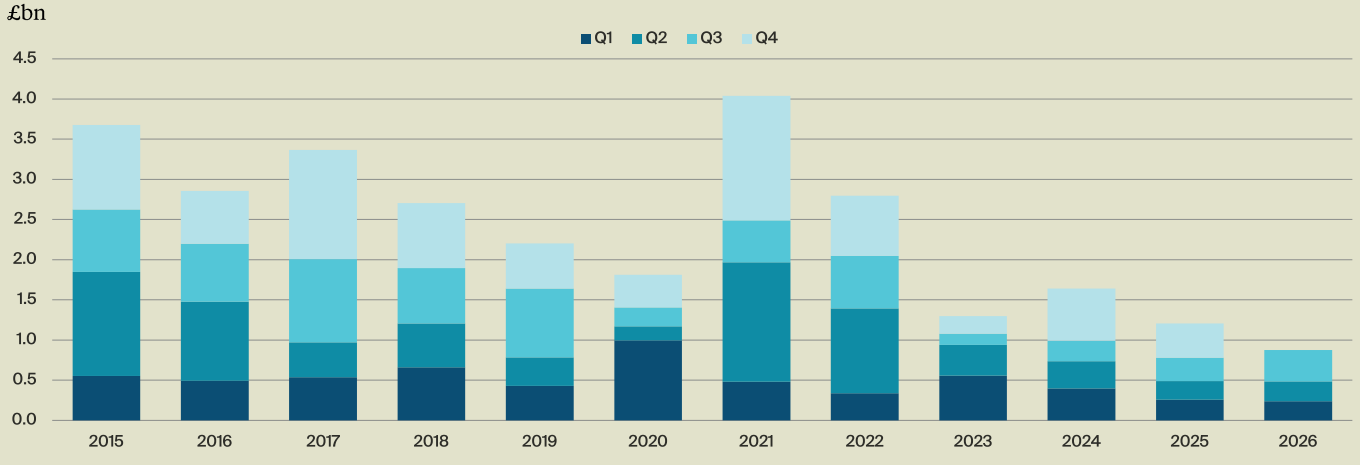
While Private Property Companies dominated the market in 2025, accounting for 45% of investment, 2026 has seen a more balanced buyer profile. Listed Property Companies currently lead with 29%, followed by Private Property Companies at 26% and Private Investors at 24%, with activity from British Land and JD.com Inc supporting the listed segment.

Looking ahead, £824m of stock is currently available, with £450m already under offer. Encouragingly, four of the largest assets under offer, each above £30m, were launched this year, pointing to continued liquidity for larger lot sizes.

PRICING SHOWS VALUE

Prime yields for 15-year income remain at c.7.00%, although no transactions completed at this level during the quarter. Opportunistic buyers remain the most active segment of the market, targeting attractively priced assets offering asset management potential.

South East: Investment volumes



Source: Knight Frank Insight

South East offices

Larger transactions underpin market activity

LEASING MOMENTUM REMAINS STEADY

Leasing activity remained resilient in Q3, with 651,728 sq ft of take-up recorded, representing a 1.1% increase on Q2 2026. Transaction volumes moderated, with 56 deals completed in Q3, down from 75 in Q2. Despite fewer transactions, the average deal size increased to 11,638 sq ft, from 8,149 sq ft in Q2, indicating a shift towards larger transactions. This suggests that demand remains relatively robust, despite activity being concentrated across a smaller number of larger deals during the quarter.

As a result, total take-up YTD rose to 2.0m sq ft. This level is 9.4% below the five-year Q1-Q3 average of 2.2m sq ft. Nonetheless, leasing activity remains at a healthy level, with overall deal numbers consistent with historical measures.

The flight to quality continues to shape leasing activity. In Q3 2026, 33% of take-up was concentrated in new or newly refurbished space, highlighting occupiers' continued preference for high-quality accommodation. A further 32% was secured in existing Grade A space, bringing the share of Grade A accommodation in overall quarterly take-up to 65%.

Active occupier requirements totalled 4.5m sq ft at the end of the quarter, highlighting a healthy demand pipeline across the market. TMT occupiers accounted for 27% of active requirements, while Financial & Business Services firms represented a further 20%. Together, these sectors continue to underpin market activity and reinforce their importance as key sources of occupier demand. The scale and breadth of this requirement base provides a positive backdrop for leasing activity over the coming quarters.

SUPPLY GAP WIDENS

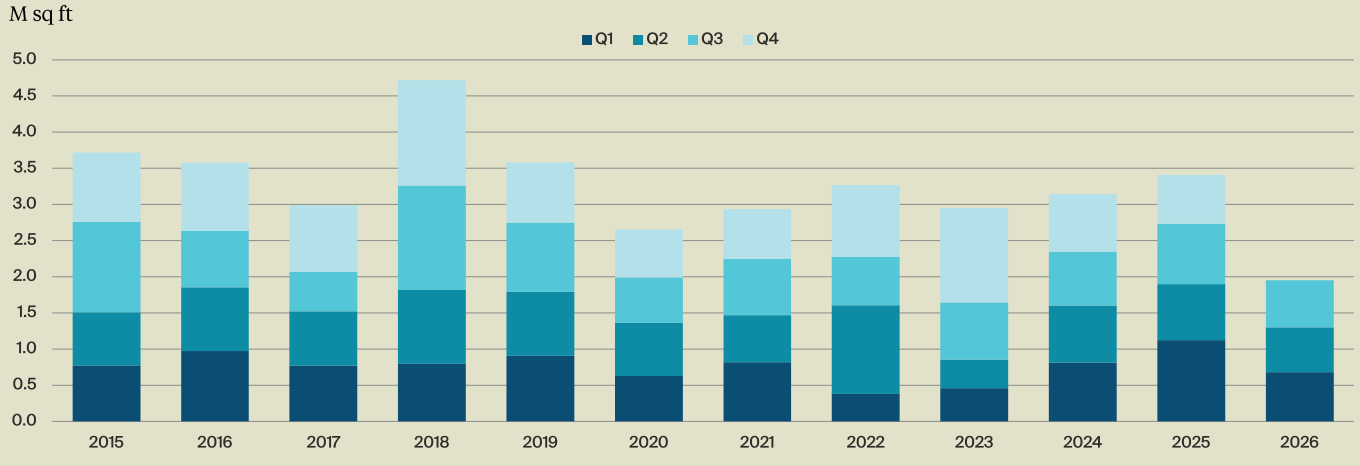
Overall vacancy increased slightly to 11.6%, up from 11.0% in Q1 2026, reflecting a modest rise in available space across the market, partly driven by development completions, with 545,246 sq ft (53.4% of completed space) delivered directly to the market. The Grade A vacancy rate remained low, rising marginally from 6.6% to 6.8%. This reinforces the widening gap between overall availability and the comparatively tighter supply of higher-quality space.

Development activity remains constrained, with 1.2m sq ft under construction across 15 schemes as at Q3 2026, all scheduled for completion by mid-2028. New supply remains heavily concentrated, with Cambridge and West London accounting for 50% of the speculative development pipeline. With relatively little new space coming forward elsewhere, supply pressures are likely to remain most pronounced for the highest-quality space.

RENTS MOVING UP IN KEY MARKETS

Examples of rental growth continue to register, with 8 markets recording increases in headline rents. A new record rent was achieved in Richmond, where Cazoo took space at Explore at £63.00 per sq ft. This reflects the continued strength of occupier demand for prime office space, particularly in supply-constrained locations.

South East: Occupier take-up



Source: Knight Frank Insight

UK Cities offices

Office investment activity continued to increase, supported by higher value transactions and improving buyer-seller pricing alignment

OFFICE INVESTMENT VOLUMES RISE IN Q3

Office investment volumes across the UK regional cities totalled £301m in Q3, 7% ahead of Q2 2026. This took investment for the first nine months of the year to £1.1bn, already surpassing the full-year 2025 total and representing the strongest Q1-Q3 performance since 2022.

A total of 16 deals completed during Q3, taking the YTD transaction count to 78, the highest level of activity in four years. Significantly, six deals above £50m have completed in 2026, pointing to renewed investor appetite for larger regional office assets. Notable transactions include Patron Capital and Forma Real Estate's £75m acquisition of Two Snowhill in Birmingham, Martley Capital's £60m purchase of the Lewis Building and Priory Court in Birmingham, and Northtree Investment Management's £55m acquisition of The Lincoln in Manchester. Momentum is expected to build further, with approximately £369m of assets under offer at quarter-end and a further £500m being marketed.

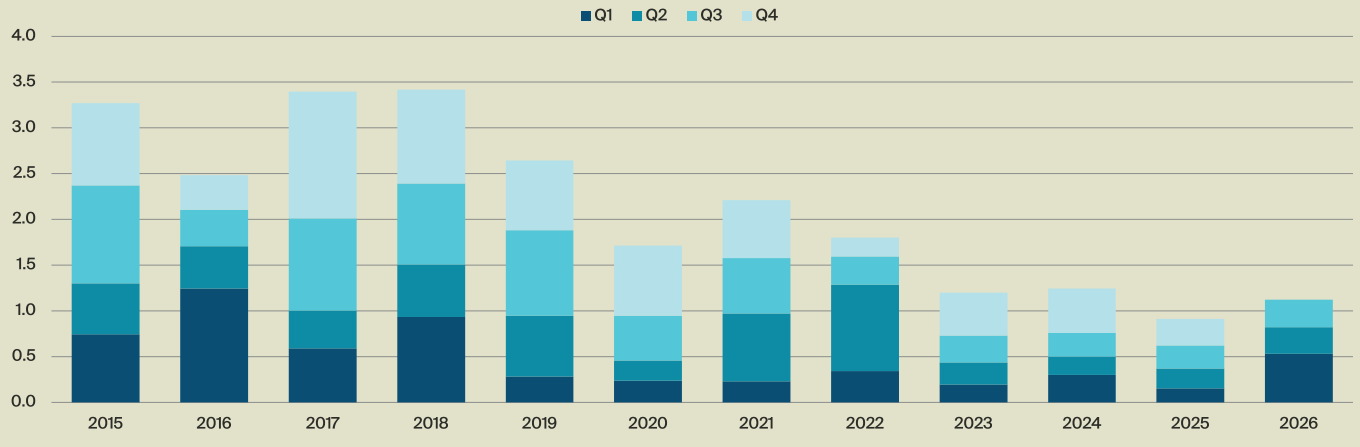
The buyer pool remains relatively narrow, but is gradually expanding. Private equity investors and UK property companies remain the most active, together accounting for around 52% of 2026 investment volumes. This base is expected to broaden over the coming year as overseas capital and UK institutional investors increasingly re-enter the market.

REGIONAL REPRICING CREATES A MORE ATTRACTIVE ENTRY POINT

Prime office yields across the regional cities softened in Q3, to range from 6.75% in Edinburgh to 10.00% in Aberdeen. While this reflects continued price adjustment and investor caution, the pace of repricing remains relatively measured. At current levels, regional offices offer an attractive income premium over risk-free benchmarks and many competing real estate sectors.

The relative value proposition is also evident compared with Central London, where prime yields moved out to 5.50% in the City and 4.00% in the West End. Further regional yield softening underlines continued price sensitivity, but it is also creating a more compelling entry point for investors seeking higher income returns. Combined with resilient occupier demand for high-quality, well-located offices, current pricing should support a gradual improvement in liquidity and transaction volumes as investor confidence strengthens.

UK Cities: Investment volumes



Source: Knight Frank Insight

UK Cities offices

Regional office leasing activity remained steady, while competition for prime space continued to drive rental growth

LEASING ACTIVITY HOLDS FIRM

While leasing activity remained firm in the third quarter, take-up finished below the long-term trend. A total of 251 transactions were completed, ahead of the quarterly average for the year, but a shortage of larger deals limited take-up to 1.1 million sq ft, 14% below the five-year quarterly average.

This brought YTD take-up to 3.7 million sq ft, marginally ahead of both the same period in 2025 and the five-year average.

Financial and Professional Services led occupier demand, accounting for 31% of take-up, followed by the Public Sector at 25%. Public Sector organisations have been particularly active in 2026, accounting for six of the ten transactions above 50,000 sq ft.

HEALTHY BOOK OF DEMAND

Looking ahead, the demand pipeline remains healthy, with 4.1 million sq ft of active requirements in the market. Financial and Professional Services account for 36% of requirements, while the Technology and Public sectors each represent a further 12%.

The flight to quality remains a defining feature of the regional office markets. Grade A space accounted for 69% of take-up, reinforcing occupiers' preference for high-quality, modern and amenity-rich space.

VACANCY INCREASES AS GRADE A SUPPLY CONTINUES TO TIGHTEN

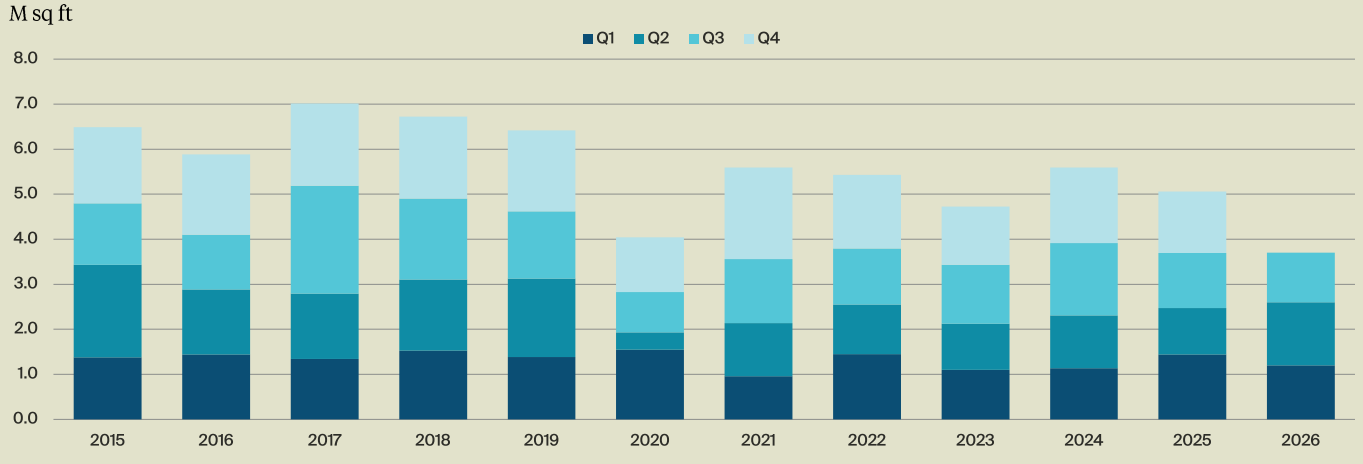
Overall vacancy remains elevated at 11.5%, but availability of the best-quality space is increasingly constrained. New and Grade A availability remained broadly unchanged at 3.7 million sq ft in Q3, while Grade A vacancy fell to just 3.1% of total stock, highlighting continued competition for the best space.

Development activity also remains constrained. At the end of Q3, just 2.4 million sq ft of speculative space was under construction and scheduled for completion before 2029, limiting the volume of new supply expected to reach the market over the next few years.

UPWARD PRESSURE ON RENTS MAINTAINED

Against this backdrop, prime rents continued to rise. The average regional prime rent reached £42.75 per sq ft, representing annual growth of 7%, with Bristol recording the highest regional rent at £55 per sq ft. The strongest YoY increases were recorded in Leeds (14%), Birmingham (12%) and Cardiff (12%), reflecting continued occupier competition for best-in-class.

UK Cities: Occupier take-up



Source: Knight Frank Insight

Industrial & distribution

Investment and occupational markets

CONTACT: CLAIRE WILLIAMS



Industrial & distribution

Investment rebounds as major portfolios boost activity

MAJOR PORTFOLIO TRANSACTIONS DRIVE INVESTMENT

UK industrial and logistics investment totalled £2.77bn in Q3 2026, up 86% from £1.49bn in Q2. The surge in transactions this quarter principally reflects larger average lot sizes and the completion of several major portfolios. Portfolio transactions contributed approximately £1.41bn, or 51% of total, with the five largest totalling c.£1.21bn. Consequently, average lot sizes rose to £30.9 million in Q3, up from £24.4 million in the previous quarter.

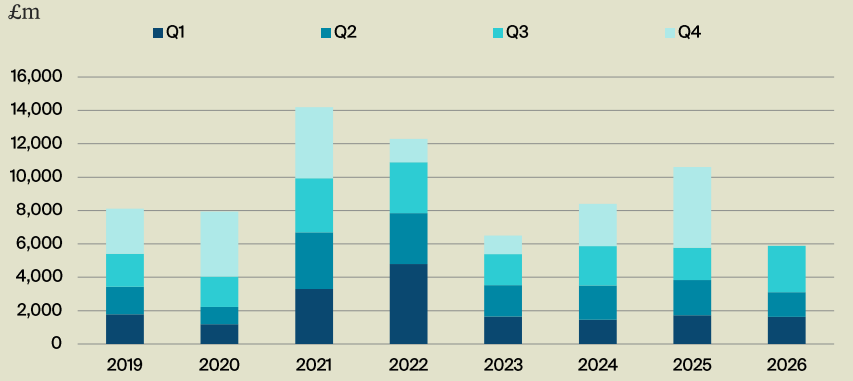
Significant portfolio transactions included a 2.7-million-square-foot portfolio of eight UK logistics assets, acquired by Mirastar & KKR for £398m, the VAULT Portfolio, comprised of eight big box assets, acquired by EQT Real Estate from Logicor for £300m, and Project Pintail, a portfolio of 20 industrial estates, acquired by GoldenTree Asset Management for c.£194m.

A notable feature of activity this year has been the increase in multi-let industrial estate transactions, reflecting investor appetite for opportunities where value can be unlocked through active asset management.

INSTITUTIONAL INVESTORS GAIN MARKET SHARE

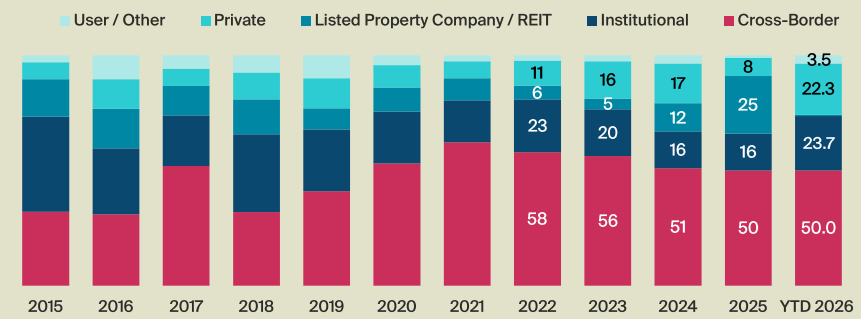
Private equity continues to dominate, accounting for 34% of the investment total so far this year. Meanwhile, institutional investors accounted for 31% of investment activity, the highest proportion since 2021 and a significant increase from just 11% last year. Focusing on Q3 2026, the market has been dominated by institutions, which have accounted for 40% of investment volumes. Institutions are benefiting from their lower reliance on debt, longer investment horizons and appetite for durable income. The current cost of debt has put them in a relatively competitive position to buyers dependent on financing.

Industrial & logistics - Investment total



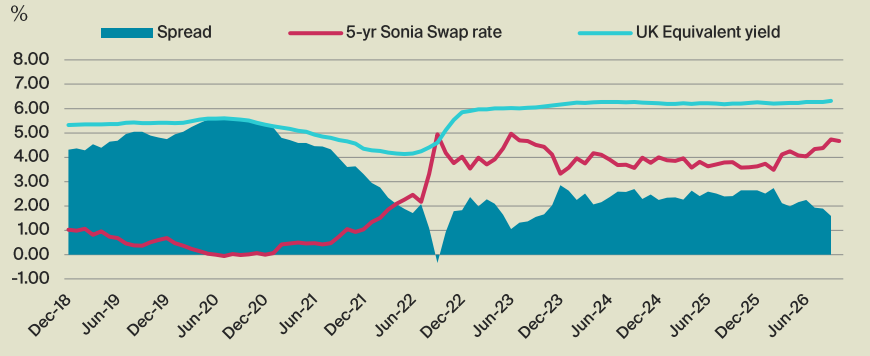
Source: Knight Frank Insight

Capital composition



Source: Knight Frank Insight, RCA

UK Industrial equivalent yield and 5-year SONIA swap rate



Source: Knight Frank Insight, MSCI, Macrobond

Industrial & distribution

Chinese Ecommerce reshapes demand

CHINESE ECOMMERCE DRIVES DEMAND

A total of 9.6 million sq ft of logistics space was taken up across the UK in Q3 2026, down 7% on Q2, and 8% below the five-year quarterly average.

The retail and distribution sectors were the most active occupier groups in Q3, together accounting for almost three quarters of take up. Distribution firms dominated, taking up 49% of floorspace this quarter. Chinese ecommerce (including retailers and 3PLs) accounted for 17% of total take up this quarter, continuing the trend we have observed in recent quarters.

VACANCY RISES, BUT QUALITY SPACE REMAINS TIGHT

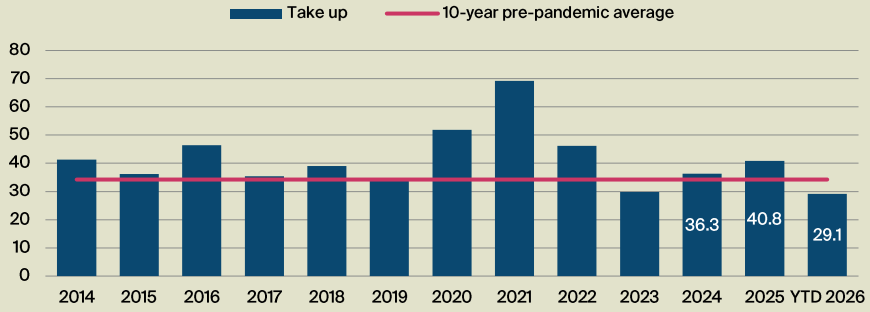
Occupiers continue to focus overwhelmingly on Grade-A (new or refurbished) space, which accounted for 59% of all take up in Q3 and 58% of take up in 2026 YTD.

Overall availability fell by 0.8m sq ft during the quarter to 96.3m sq ft, while the vacancy rate remained stable at 8.0%. Grade-A vacancy edged up from 4.4% to 4.6%, although second-hand Grade-A space remains particularly sought after where occupiers can make use of an existing fit-out. New speculative space accounts for 29% of total available floorspace, with second-hand space representing the remaining 71%. However, much of this second-hand space available is dominated by lower quality stock, with Grade-B or worse representing 63% of the total.

Average rental growth is forecast at 3.4% in 2026, easing from 4.2% in 2025 before moderating further to 2.7% in 2027, and rebounding to 3.4% in 2028 (Knight Frank Insight), marking an upward revision on our Q2 forecasts.

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

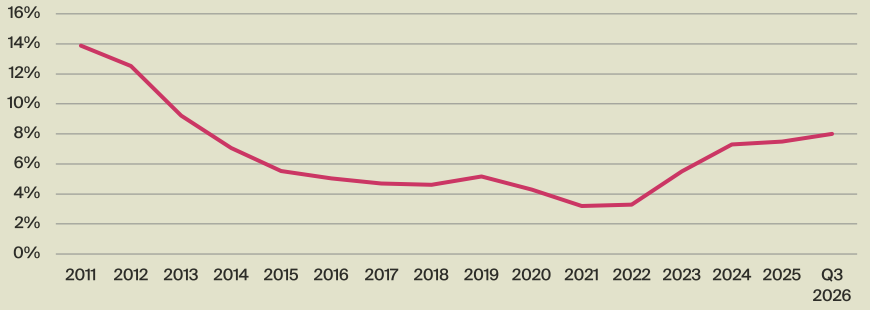
M sq ft



Source: Knight Frank Insight

Vacancy rate (units over 50,000 sq ft)

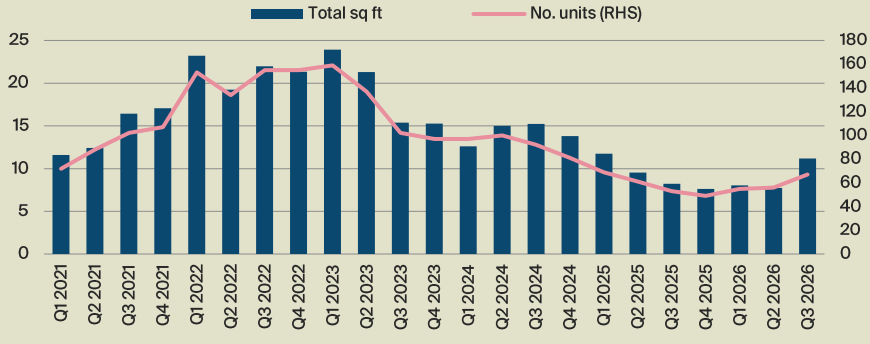
%



Source: Knight Frank Insight

Speculative development under construction

M sq ft



Source: Knight Frank Insight

Retail & leisure

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

CONTACT: STEPHEN SPRINGHAM



Retail

Retail firmly on course to retain its status as the best-performing CRE asset class in 2026 – for the third successive year

A POSITION WE WOULD HAVE TAKEN

A new Prime Minister and ongoing global conflicts in Ukraine and the Middle East. An uncertain backdrop as ever, but one that is only partially impacting on UK retail markets. Consumer and occupier markets remain seemingly impervious to external factors. Investment markets are more sensitive generally, but this has not acted as an impediment to a growing number of 'big ticket' Shopping Centre deals. The retail market is in far better shape than we would have anticipated back in Q1.

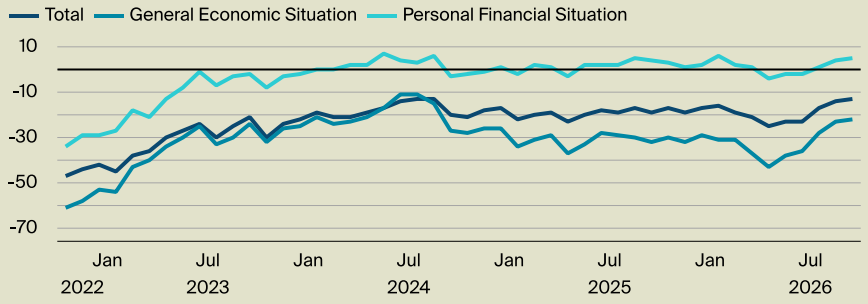
CONSUMER DEMAND HOLDING UP

Retail sales values (exc fuel) in Q3 were up +3.8% YoY, with volumes ahead by +1.7%. In both cases, this marked a slight deceleration on the exceptional performance in Q2 (values +5.3%, volumes +3.0%). Q3 was characterised by a stellar August (+4.9%) sandwiched between steady performance in both July (+3.3%) and September (+3.4%). Shop price inflation averaged 2.1% across Q3, rising from 1.7% in July to 2.6% in September. Although increasing slowly, the wider inflationary impact anticipated in the wake of rising oil prices has yet to fully materialise. Above all, most evidence points to consumer markets being in decent shape ahead of the peak Christmas trading period.

AN INVESTMENT RALLY

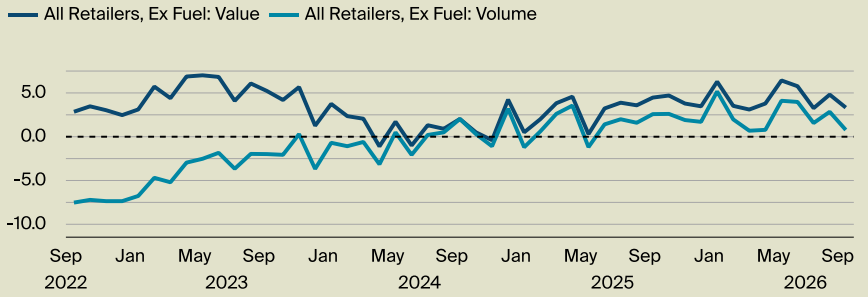
Increasing signs of convergence between retail real estate market performance and investment markets. Retail remains the top performing commercial property sector, achieving total returns of 8.4% in the 12 months to September 2026 (vs. 5.2% for All Property). Total retail investment volumes totalled £1.1 billion in Q3, around +6.4% higher than the previous quarter, taking YTD volumes to around £3.5 billion. Volumes were up QoQ in Retail Warehousing, Foodstores and High Street units.

Consumer confidence
Confidence over the next 12 months



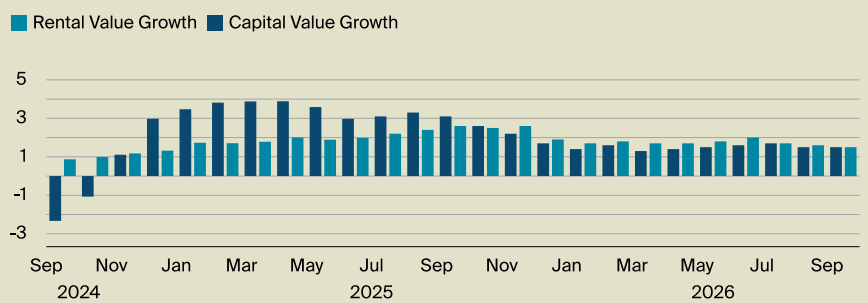
Source: Gfk

ONS retail sales
Monthly YoY change, %



Source: ONS

All retail – rental/capital value growth
Rolling 12 month % change



Source: MSCI

High street retail

Distress at two high profile, large footprint operators casts something of a shadow

SPENDING DEFIES WEAK FOOTFALL

Footfall trends remain totally at odds with retail sales patterns. High Street footfall was consistently weak across the quarter (-3.8% in July, -3.1% in August, -3.0% in September), but retail sales were actually robust (+3.3% in July, +4.9% in August, +3.4% in September). Consumer demand remained strong for a number of core high street categories, including Cosmetics (Q3 sales YoY +20.1%), Charity Shops (+12.3%), Jewellery & Watches (+8.7%) and Clothing (+7.7%), but others were more challenged e.g. Footwear (-8.5%) and Chemists (-8.0%).

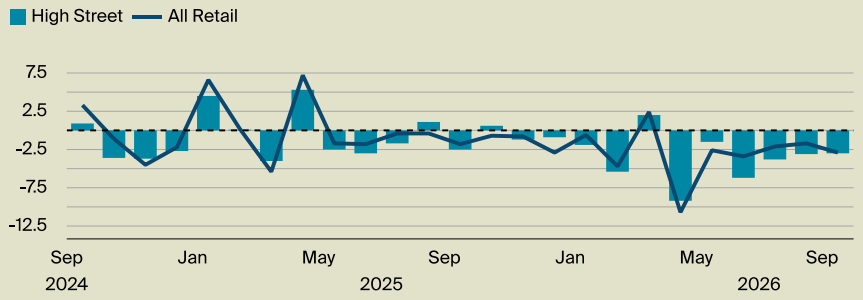
STABLE OCCUPATIONAL MARKET

This relative calm has extended to retail occupier markets and 2026 is on course to see one of the lowest levels of retailer distress on record. The Centre for Retail Research (CRR) lists just 12 business 'failures' YTD (operators undertaking some sort of restructuring, CVA or administration), with some 509 stores affected. However, the few retailers to fall into this category include a couple of high profile names with large store footprints. By far the largest protagonist to date has been TG Jones (formerly WH Smith's high street business) with ca. 450 stores, although Poundland's future (ca. 600 sites) also remains in jeopardy. Against this backdrop, High Street vacancy rates remained stable in Q3 (14.3% overall, 13.2% exc. Leisure).

A SLIGHT UPTICK IN VOLUMES

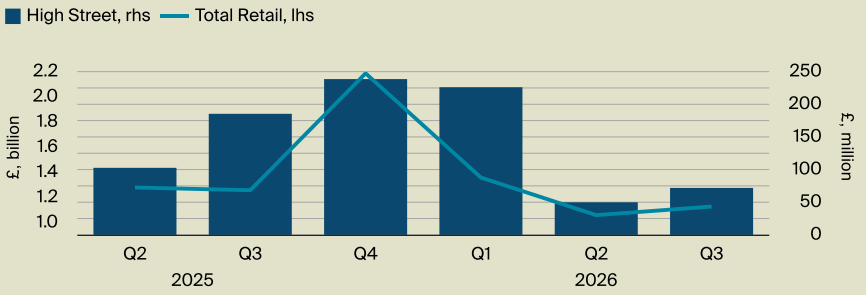
As previously identified, more than half a dozen UK institutions are now actively targeting high street investments, including a number of investors who sold down on Retail in distressed periods either side of COVID. But this is only slowly filtering through to deal volumes. Q3 investment volumes were ca. £77m, a slight uptick on Q2 (£50m), taking YTD volumes to ca. £357m. This is still ca. -22% down on the corresponding period last year (ca. £460m).

High street footfall
Monthly YoY change, %



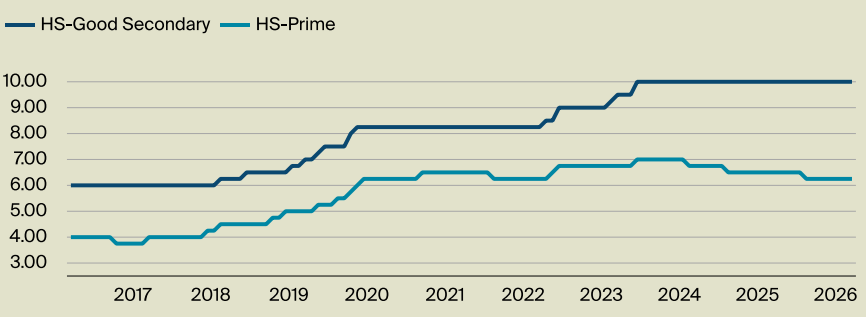
Source: BRC / Springboard

High street investment volumes



Source: Knight Frank Insight

High street yields
%



Source: Knight Frank

Shopping centres

A welcome return of 'big ticket' investment deals

BUMPER AUGUST, SOFTER SEPTEMBER

As with High Streets, Shopping Centre footfall and retail sales were again wildly out of sync for most of the quarter, the former weak (Jul: -1.4%, Aug: -0.5%, Sep: -3.5%), the latter strong (Jul: +3.3%, Aug: +4.9%, Sep: +3.4%). Ongoing unseasonally warm weather clearly was an influential factor across the quarter. This particularly impacted Clothing, in a positive way in July and August (+3.2% and +4.6% YoY respectively), but negatively in September (-0.2%) amidst the launch of Autumn/Winter ranges.

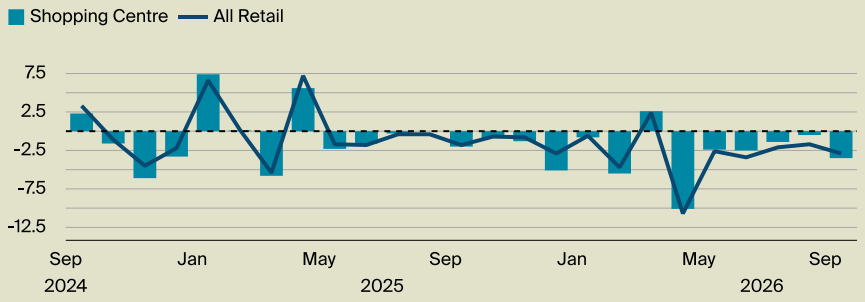
TG JONES FALL-OUT TAKES SHAPE

Although retailer distress has generally been fairly limited this year, the aftershocks of the restructuring programme at TG Jones (formerly WH Smith) came into effect during Q3, with ca. 150 of the 450-strong estate closing. Further closures and fall-out are expected before the year-end at Poundland, which has ca. 600 stores. Disappointingly, Shopping Centre vacancy rates increased by +40bps in Q3, ending the quarter at 16.5%, the same level they were at Q3 2025.

INVESTMENT REVIVAL CONTINUES

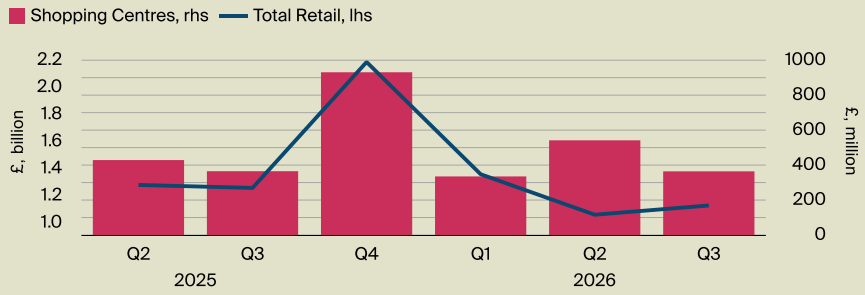
Shopping Centre investment volumes totalled £364m in Q3 vs £542m in Q2. This apparent decline in volumes (-33%) owed more to the timing of deals than a softening in investor demand. Hammerson's £218m purchase of a 50% stake in Manchester Arndale was included in the Q3 figures, but Landsec's £530m acquisition of Metrocentre did not complete until October and will therefore be incorporated in the Q4 figures. 2026 investment volumes are on course to return to long-term annual averages of £2bn+. Shopping Centres are also destined to become the best-performing CRE asset class in 2026, achieving an annualised total return of +8.7% to Q3 (vs. +4.7% for All Property).

Shopping centre footfall
Monthly YoY change, %



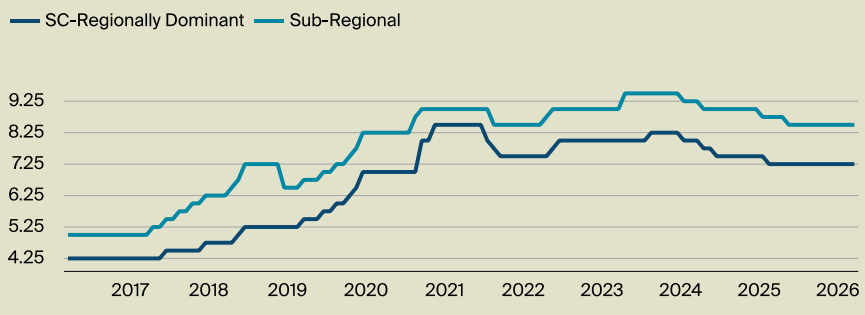
Source: BRC / Springboard

Shopping centre investment volumes



Source: Knight Frank Insight

Shopping centre yields
%



Source: Knight Frank

Out-of-town

Poised to see investment volumes surpass the £2bn mark in 2026 FY

FOOTFALL STRONGER THAN INTOWN

RWH footfall staged something of a recovery in July (+1.2%) and August (+1.0%), but tailed off significantly in September (-1.7%). As ever, this was not entirely consistent with actual retail sales patterns. In Q3, all retail sales values (exc fuel) grew +3.8% YoY, with volumes ahead by +2.1%. A number of bulky goods categories performed well, including PCs & Telecomms (+32.9%), Furniture (+10.8%) and Electricals (+5.9%).

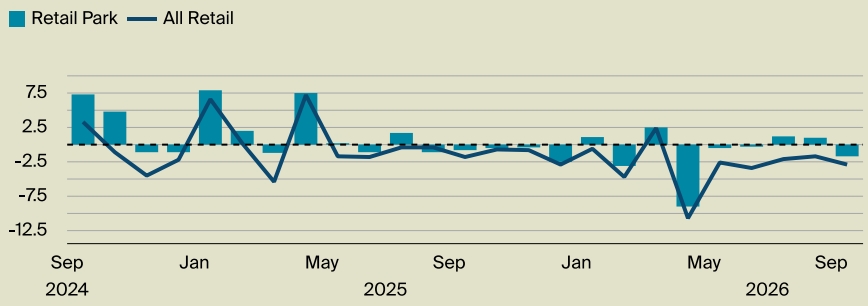
VACANCY – AT RECORD LOWS

RWH vacancy rates of sub 4.7% are being driven down by a combination of finite supply, a thin development pipeline and strong occupier demand. Some 7.5m sq ft of RWH space was absorbed in 2025 alone, more than three times the development pipeline (2.4m sq ft) for the next eight years. Second-hand space through retailer fall-out has, to date, also been limited and largely restricted to the High Street. However, Poundland's future remains in severe jeopardy and the business does have a significant OOT presence totalling ca. 1.14m sq ft.

A RALLY IN VOLUMES IN Q3

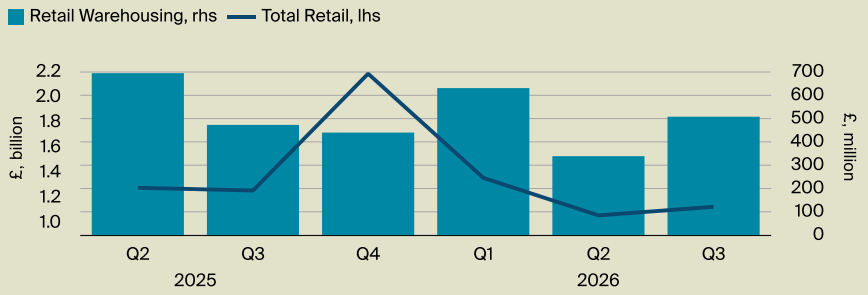
Q3 RWH investment volumes were £508m. This marked a +50% uplift on Q2 (£339m) and was +7% higher than the corresponding period the previous year (£473m). This took the rolling figure for the year to £1.48bn. With this momentum maintained in Q4, 2026 investment volumes should surpass the £2bn threshold. The diversity of the buyer pool in Q3 bears testament to the breadth of investor demand. Institutions (e.g. Realty, Schroders, DTZ Investors) made up the largest share (34.8%), but there was also considerable activity from PE (e.g. Hines), Listed (e.g. SUPR, NRR) and Private Propcos (e.g. Melford, LCP).

Retail park footfall
Monthly YoY change, %



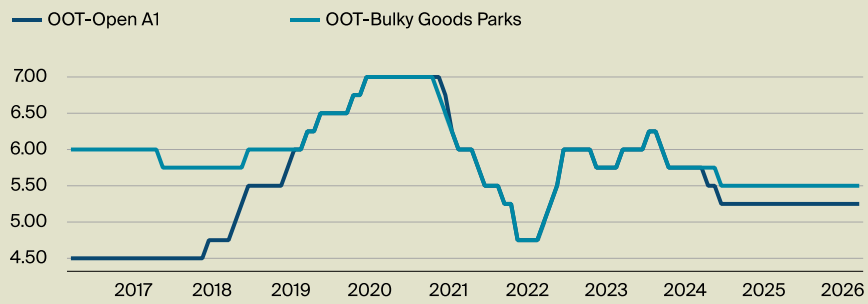
Source: BRC / Springboard

Retail warehousing investment volumes



Source: Knight Frank Insight

Retail warehouse yields
%



Source: Knight Frank

Leisure

Some business rates relief for Pubs, Clubs & Music Venues – but none for other areas of Hospitality

WORLD CUP – OR THE WEATHER?

Leisure spend picked up considerably in Q3 – whether this was on account of the FIFA World Cup (which ran to 19 July, the first three weeks of the quarter only) or the extended heatwave which lasted the whole period is a moot point. According to Barclaycard, Eating and Drinking was up +3.1% in July, with Pubs, Bars & Clubs leading the charge (+7.4%). Catering spend growth moderated to +1.8% in August and +2.4% in September, with Pubs, Bars & Clubs continuing to witness the highest growth (+2.7% and +3.8%). Monthly spending growth in Restaurants, Cafes & Bakeries averaged +1.9% in Q3, while Takeaways & Fast Food averaged +1.7%.

OPERATIONAL PRESSURES REMAIN

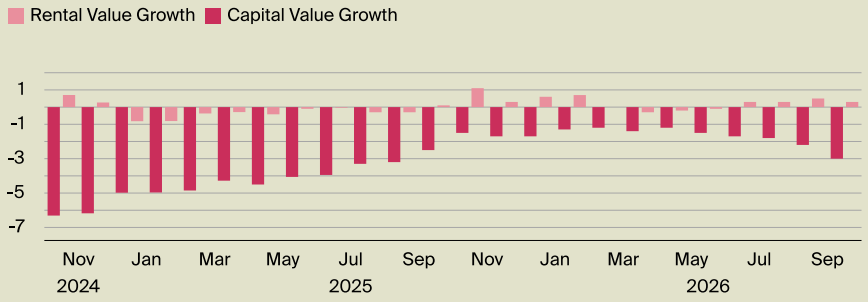
Data from NIQ, powered by CGA, showed that there were 98,319 pubs, bars, restaurants and other licensed premises in the UK at the end of September 2026. On a QoQ basis, numbers have dropped by -0.2%, or 245 sites, since June. YoY, this represents 977 net closures, or an average of nearly 19 per week. This reflects the ongoing cost pressures of doing business that will be exacerbated when the minimum wage rises by a further +3.9% to £13.20 next June. Prime Minister Andy Burnham afforded Pubs, Clubs & Music Venues 20% rates relief in his very first week in office in July. However, hopes that this would 1. be increased 2. be extended to other areas of Hospitality (such as Restaurants) in the 2026 Autumn Budget did not come to pass.

PRICING STABLE

According to MSCI, Leisure rents surprisingly declined by -1.0% in Q3. Capital values fell by -0.5% QoQ, taking rolling 12 month CVG to -1.1%. The yield environment has proved challenging for the Leisure sector since COVID, but pricing on prime leisure parks has remained stable at 8.00% since late December 2023.

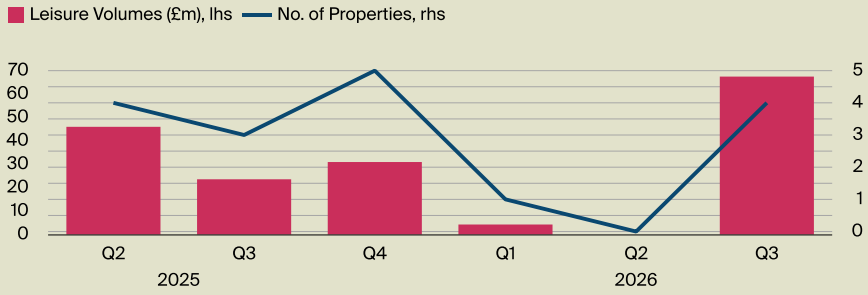
Leisure – rental / capital value growth

Rolling 12 month % change



Source: MSCI

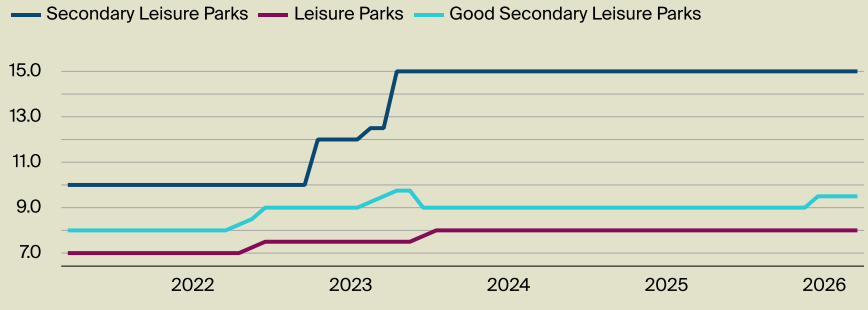
Leisure investment volumes



Source: RCA

Leisure yields

%



Source: Knight Frank

Foodstores

Retrenchment from non-core markets and renewed market consolidation domestically?

UNEVEN VOLUME GROWTH

Grocery demand continues to be erratic. Foodstore retail sales values were up +2.1% in Q3, but volumes were flat. Grocery volumes have declined in four of the first nine months of the year, but with no clear patterns nor indicative directions of travel. Inflationary pressures have likewise not played out as anticipated, with grocery price inflation standing at just 2.2% in September, lower than the 2.8% reported prior to the escalation of events in the Middle East in February.

A FRESH WAVE OF M&A ACTIVITY?

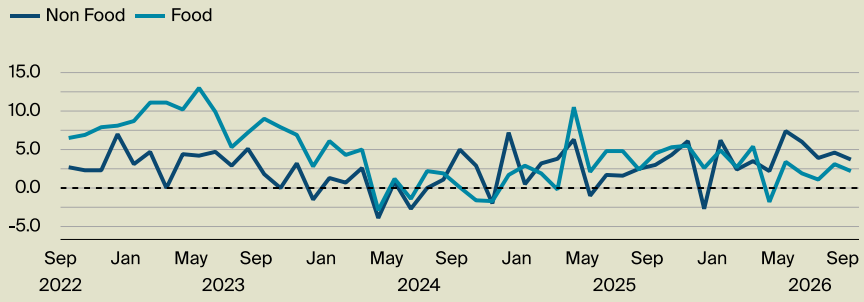
During Q3, it emerged that Sainsbury's had held initial talks earlier in the year with Morrison's over a possible takeover. Although no deal was struck, this nevertheless sparked speculation of further consolidation in the market, which would be subject to considerable scrutiny on the part of the Competition and Markets Authority (CMA). Meanwhile, Tesco is reportedly weighing up a bid for wine merchant Majestic. Since the quarter end, it has also disposed of its Czech and Slovakian businesses in a deal with Benelux operator Ahold Delhaize worth in excess of £1bn. According to Worldpanel by Numerator, Lidl enjoyed the largest YoY market share gain in Q3 (+40bps to 8.6%), followed by Ocado (+20bps to 2.2%). Tesco (27.8%), Sainsbury's (15.2%) and, more surprisingly, Aldi (10.5%) all lost marginal (-10bps) share over the same period, Morrison's was stable (8.3%), while Asda lost -30bps (11.5%).

LIMITED INVESTMENT STOCK

Supermarket volumes totalled £184m in Q3, an increase of +43% on Q2, but down -17% on the same period in 2025. A combination of a lack of willing sellers, limited arbitrage between prime yields and gilt rates and covenant challenges with private equity-owned Asda and Morrisons mean that 2026 is likely to be the lowest volume year since COVID.

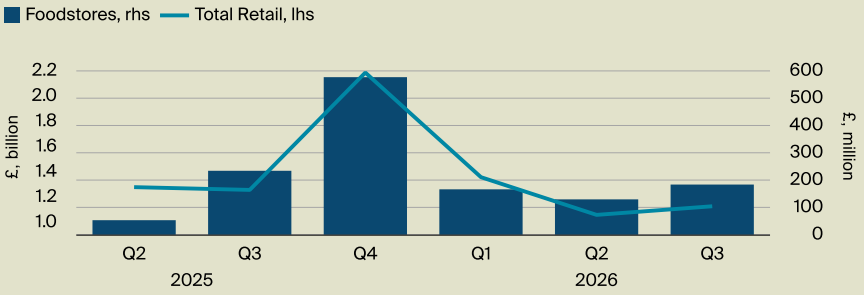
Food vs. non-food retail sales

Monthly YoY change, %



Source: ONS

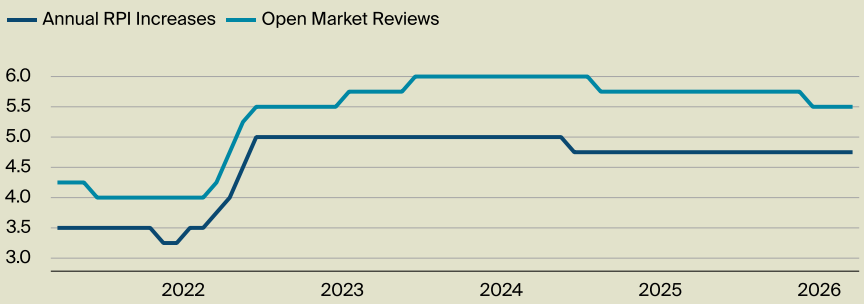
Foodstore investment volumes



Source: Knight Frank

Foodstore yields

%



Source: Knight Frank

Central London

Will the pedestrianisation of Oxford Street prove the panacea that many are counting on?

MAJOR TURNAROUND FROM AUGUST

July marked a major milestone in the West End's fortunes – a return to spending growth (+0.9%) for only the second month in 2026. This was achieved despite flat footfall and driven by international (+5.5%) rather than domestic visitors (-3.2%). Acceleration and major shifts in August, with spend growing +10.6% overall, with domestic visitors spending more (+8.1%), despite lower footfall (-4.1%). In contrast to the UK as a whole, which saw a slowdown in September, West End spending surged a further +13.3%, lifted by both domestic (+4.4%) and international (+23.2%) visitors. Domestic footfall was still down (-1.5%), but these figures predate the pedestrianisation of Oxford Street. This will undoubtedly bolster footfall, the key question is whether this will translate to actual spending.

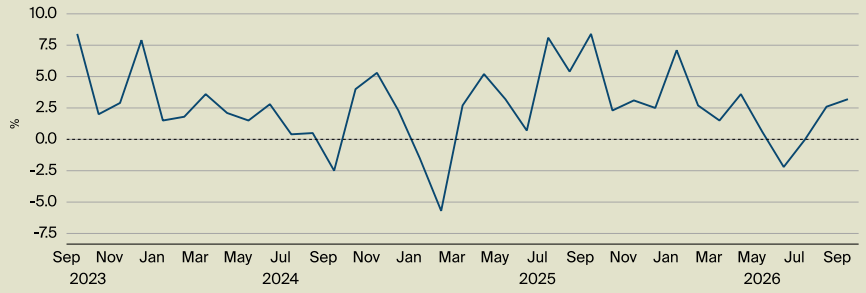
LIMITED VACANCY

A relatively quiet occupational market. CoStar lists 61 new retail leases signed in Q3 for Central London (Westminster and the City), totalling 152,000 sq ft of space. Although an uptick on Q2 (118,000 sq ft, 47 leases), both metrics were significantly below the 5-year quarterly averages (113 and 308,000 sq ft). Subdued activity partly reflects low space availability. PMA/Goad calculates the vacancy rates at H1 2026 on Oxford St and Regent St at 5.3% and 5.4% respectively, the lowest levels since 2019.

HEADLINE RENTS STABLE

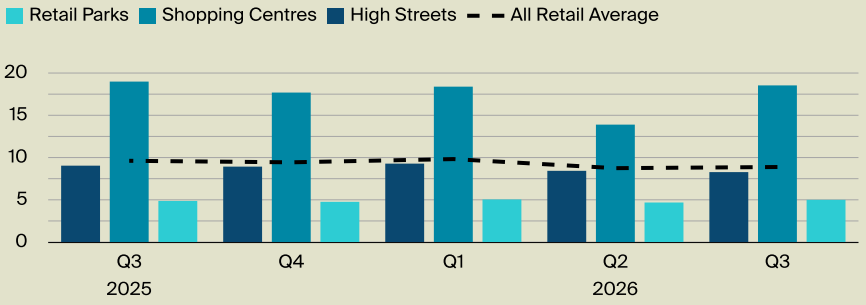
There was limited movement in headline prime zone A rents in Q3. However, underlying rents continue to grow strongly. Standard Shops in Central London witnessed rental growth of +2.1% in Q3, with capital values increasing QoQ by +3.2%. This took the rolling annualised figures to +7.3% and +6.7% respectively, with the West End (+7.0%, +6.2%) outperforming City & Midtown (+4.8%, +1.9%).

West End footfall
% change YoY



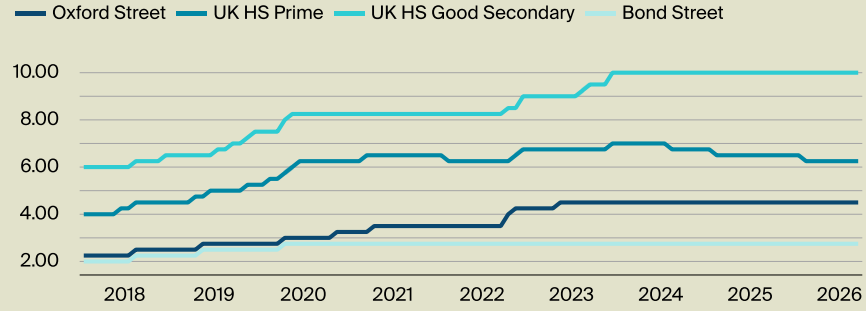
Source: New West End Company

Vacancy rates*
% units
*Greater London



Source: Green Street

Yields
%

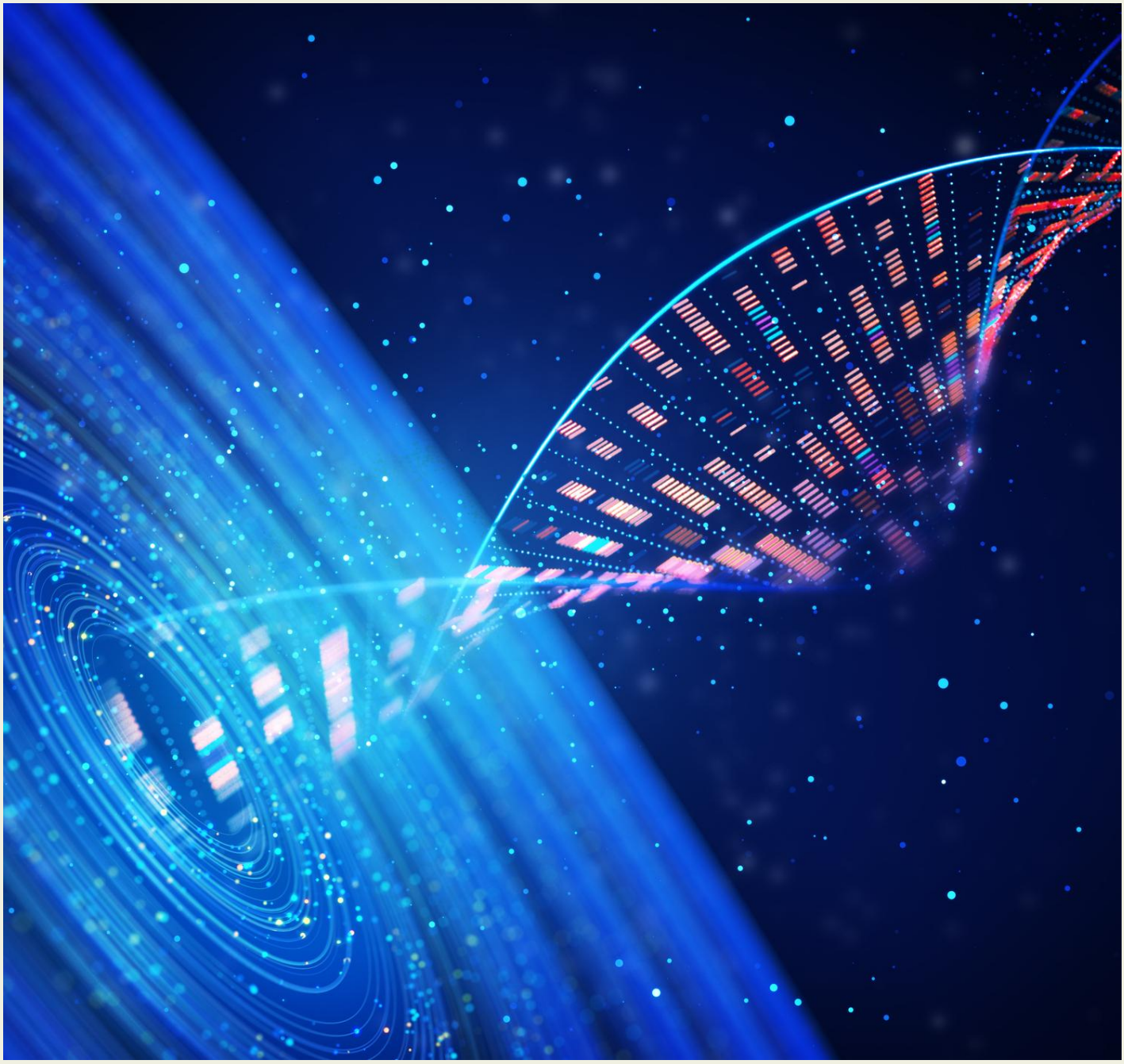


Source: Knight Frank

Specialist sectors

Data centres, healthcare & life sciences

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



Data centres

The 2026 Budget strengthens government support for data centres, prioritising strategic projects as competition for grid capacity intensifies

PRIORITY ACCESS DOES NOT MEAN MORE POWER

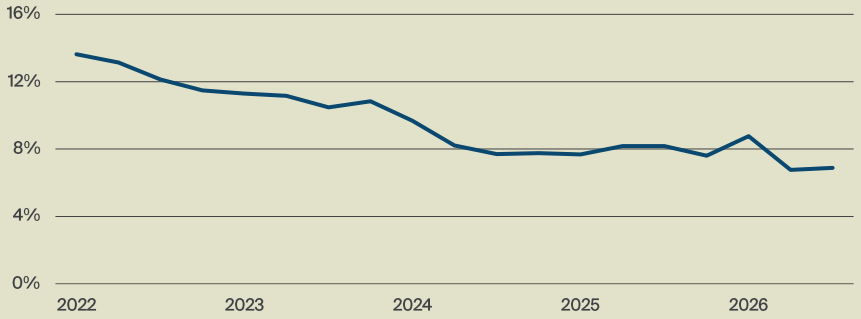
The UK Government has taken a further step towards prioritising data centre development, introducing a new British Data Centre Covenant as part of the 2026 Autumn Budget. Strategic projects that meet requirements around community benefits, environmental standards, jobs and national resilience will be eligible for additional government support, including measures to accelerate grid connections.

The Government has also committed to explore temporary on-site generation for exceptionally strategic projects where permanent grid capacity cannot be delivered in time. This should strengthen the delivery prospects of strategically important schemes and provide greater certainty for investors, particularly as the Government estimates that the UK will require 6GW of AI data centre capacity by 2030. However, prioritising projects does not itself increase the amount of electricity available. The UK's early-stage pipeline has expanded to over 12GW, while just under a gigawatt is currently under construction.

POLICY WILL INCREASINGLY SHAPE WHICH PROJECTS PROGRESS

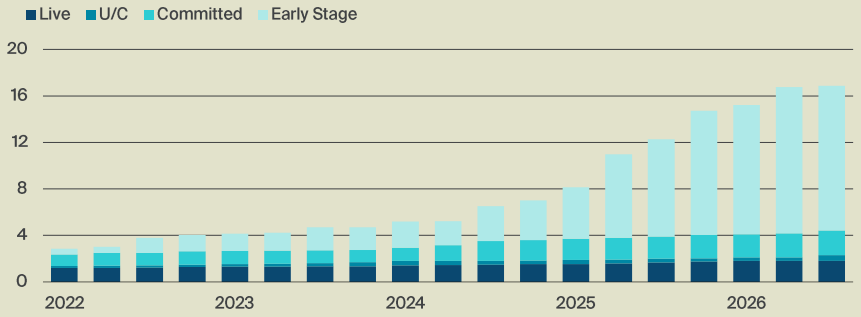
Against this backdrop, the Covenant could increase the distinction between strategic projects able to secure government support and schemes that remain dependent on conventional connection timelines. This is increasingly significant in a market where vacancy has fallen to 6.9% and live supply stands at 1.8GW, placing greater emphasis on bringing new capacity forward. The policy builds on earlier reforms aimed at removing speculative projects from the queue and increasingly directs limited grid capacity towards projects considered viable and strategically important.

UK data centre vacancy falls below 7%
% of live supply



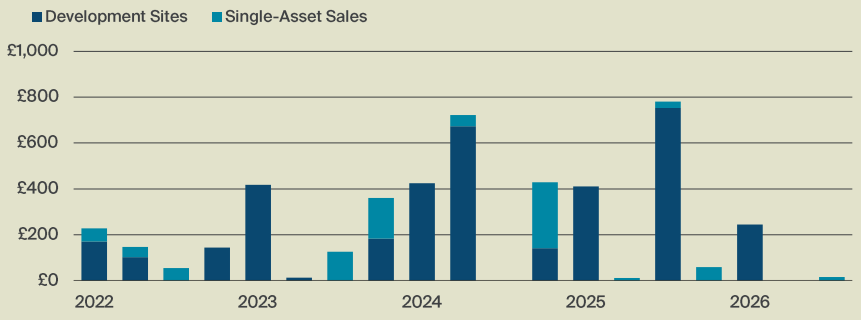
Source: Knight Frank Insight

UK data centre capacity reaches almost 17GW
Aggregate supply (GW)



Source: Knight Frank Insight

£259 million transacted so far this year
UK transaction volumes (£ million)



Source: Knight Frank Insight

Healthcare

Large transactions lead volumes above long-term averages once again

MOMENTUM CONTINUES TO BUILD DESPITE VOLUMES UNLIKELY TO MATCH 2025

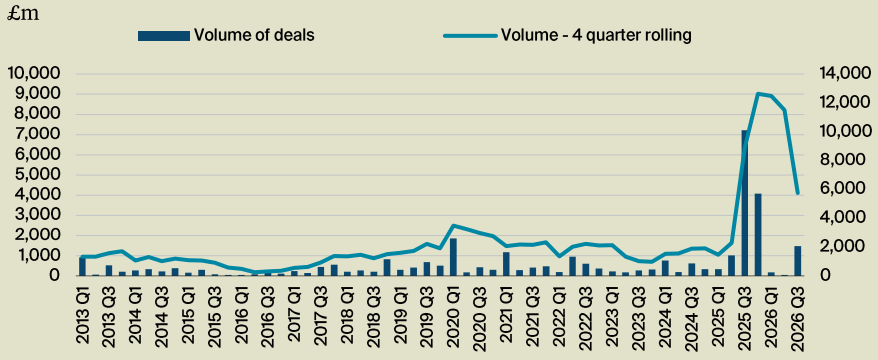
Healthcare is heading towards another strong year for both sentiment and transaction activity, although volumes are unlikely to match the record levels achieved in 2025. Nevertheless, activity remains on track to exceed the historic five-year average, reinforcing the depth of investor appetite across the sector. Q3 reported transaction volumes of just under £1.5 billion, led by private hospitals. Q4 is expected to capture further substantial transactions and while some pipelined deals may not complete before year-end, these should provide a strong foundation for 2027.

North American capital is likely to remain the largest contributor to sector investment, either through direct acquisitions or as the underlying source of capital behind transactions. European investors also remain active, with Aedifica continuing to deploy capital across the region, while Elevation has demonstrated its appetite for European healthcare real estate through its acquisition of senior living assets in Germany.

Fixed-income transactions continue to hold their own alongside WHOLECO activity, while new joint ventures, such as, PHP and GIC's announced JV, are creating additional routes for capital deployment.

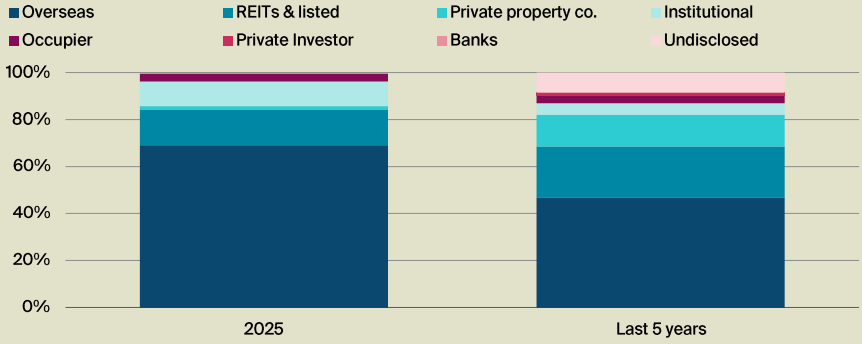
Overall, sentiment remains strong and the investor base continues to deepen. With capital now targeting the sector through a wider range of structures, from traditional fixed-income transactions through to WHOLECO and management agreements, investors have greater flexibility in how they access healthcare real estate. Combined with continued consolidation and new market entrants, this provides a positive backdrop for activity heading into 2027.

Recorded healthcare property transactions



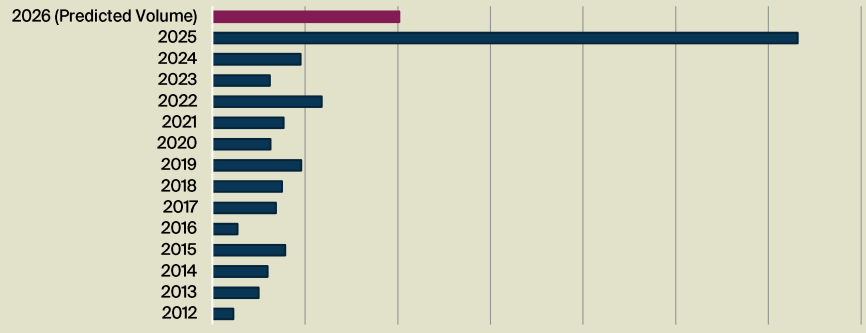
Source: Knight Frank Insight

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

Modern, fit-for-purpose supply remains limited

OPERATOR FUNDAMENTALS REMAIN STRONG

Our trading performance analysis, covering approximately one-fifth of the UK elderly care market, points to continued improvements in operating performance. Occupancy strengthened further during the year, while the all-care average weekly fee increased by around 10% YoY to £1,298.

At the same time, staffing costs continued to fall as a proportion of income, declining from 56.7% to 55.3%. Together, stronger occupancy, fee growth and improved staff cost ratios have helped drive average operator EBITDARM to 30.1%.

Looking ahead, we expect occupancy to remain strong and fee growth to continue. Combined with continued operational efficiencies, this should provide scope for further improvement in operator margins.

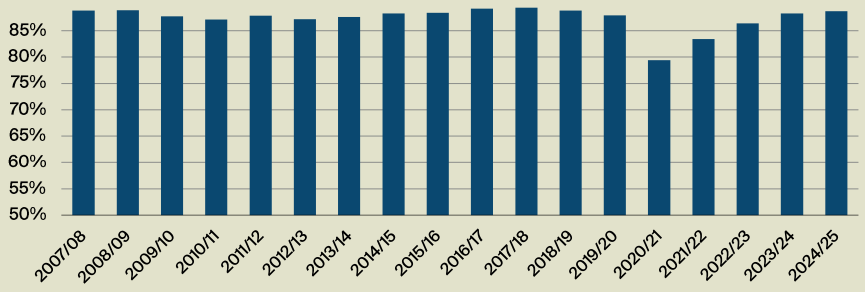
SUPPLY CONTINUES TO LAG

Over the past decade, UK care bed supply has increased by just 2.4%, compared with growth of approximately 16.2% in the over-65 population. This highlights the pressure on capacity and the limited progress being made in addressing future supply.

De-registration has increased over the past five years, with much of the stock leaving the market comprising smaller, older homes. While these are gradually being replaced by larger, purpose-built facilities, we have also observed average regional supply leakage of approximately 2.3%, placing further pressure on available capacity.

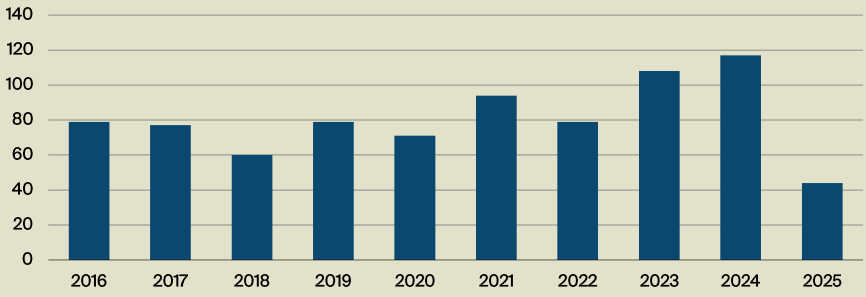
Against this backdrop, net bed supply has increased by just 136 beds since our last review. This modest uplift partly reflects period adjustments and more granular analysis, including a clearer distinction between newly delivered beds and reopened provision. Improvements in data capture also mean that bed losses are now being recorded more comprehensively than in previous years.

Occupancy
%



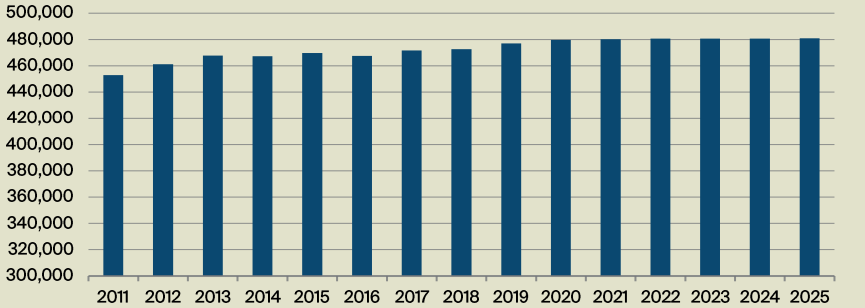
Source: Knight Frank Insight

New UK care homes completed



Source: Knight Frank Insight

Elderly Care Home Beds



Source: Knight Frank Insight

Life sciences

UK life sciences funding fell in Q3 but remains at near-record levels YTD, while sentiment turned positive and public investment supports future growth

VENTURE FUNDING: LOWER QUARTER, HIGHER YEAR

UK life sciences companies raised £571.55m in Q3 2026, down 75% from Q2's £2.31bn but up 13% YoY. Q2 was distorted by Isomorphic Labs' £1.6bn raise (69% of the quarter); excluding it, the quarterly decline was 19%. Pharma and biotech took £400.57m (70%), and the five largest deals accounted for 49.3% of the total. The UK has seen the second-highest venture capital funding for UK life sciences in Q1-Q3 2026, totalling £3.63bn, and second only to 2021

SENTIMENT TURNS POSITIVE

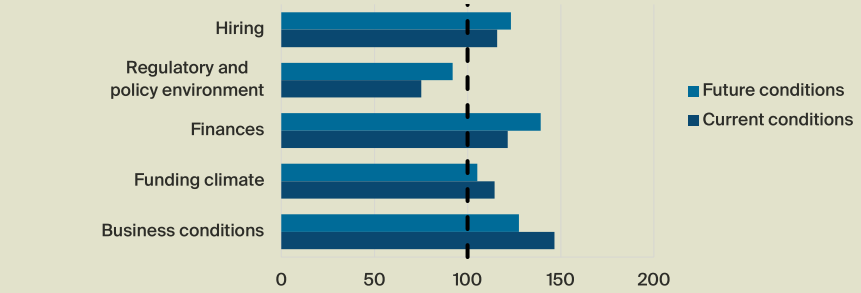
The Endpoints Biopharma Sentiment Index rose to 105 in Q3 from 96 in Q2, its first reading above the neutral 100 mark since the post-pandemic downturn, with current conditions jumping to 103 from 87. Dealmaking was the most-cited reason for optimism (38% of respondents), 76% expect AI to lift drug-discovery productivity over the next year, and 52% of biotech respondents expect to add staff, against 44% of big-pharma respondents who expect cuts.

THE STATE AS VENTURE CAPITALIST

UK Export Finance, the British Business Bank and the National Wealth Fund have mobilised at least £50bn over two years, taking combined financing capacity to £193bn. The British Business Bank, now the UK's most active venture investor, backed AI, life sciences and regional funds, including £25m for Alchemab. UKRI's £38.6bn settlement and £1bn for regional innovation clusters reinforce support, particularly in the Northern and Oxford–Cambridge corridors. Semiconductor and quantum investment adds momentum. For occupiers, this points to well-funded companies with growing space needs. For developers, it highlights opportunities for government co-investment.

Biopharma sentiment: Deals lift biopharma's mood

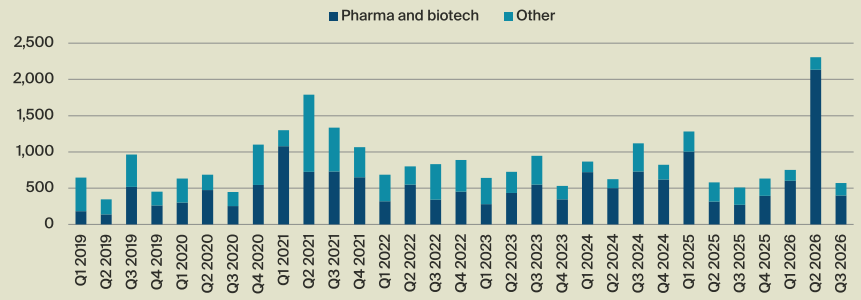
Q3 Biopharma Sentiment Survey



Source: Endpoints Signal. Each quarterly survey seeks a minimum of 1,000 respondents. The survey consists of five paired questions that form the backbone of the index. Each question is posed in two forms: one focused on current conditions and another framed as expectations for the year ahead. The index is normalised to 100.

UK life sciences venture capital funding

VC funding into UK life sciences companies, £m

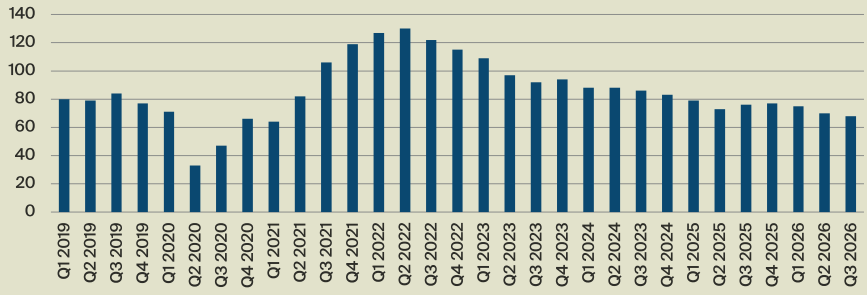


HQ only. Completed deals and full transactions only. Covers: Biopharma, MedTech and Digital health. Data as at 12/10/2026. The data in PitchBook is continuously updated to reflect the most current information. As a result, historical data may change over time.

Source: Knight Frank Insight, PitchBook

Vacancies: professional, scientific and tech

Thousands



Source: Knight Frank Insight, ONS

Life sciences

YTD Golden Triangle take-up rose 12.1% YoY despite a quieter Q3, while investment paused and 2.39m sq ft remains under construction

LEASING ACTIVITY: YTD TAKE-UP RISES DESPITE A QUIETER Q3

499,711 sq ft of life sciences space was let across Oxford, Cambridge and London in the first nine months of 2026, 12.1% ahead of the same period last year. YTD take-up for the UK life sciences sector is ahead in two of the three Golden Triangle markets: Oxford is up 22.3% at 156,491 sq ft and Cambridge up 20.4% at 224,116 sq ft, while London is 9.5% lower at 119,104 sq ft.

The third quarter itself was more subdued, with 67,725 sq ft let across the three markets, down 65.7% on Q2 and the lowest quarterly total since Q1 2022, but it follows two strong quarters and coincides with the first positive reading of the Endpoints Biopharma Sentiment Index since the post-pandemic downturn.

OCCUPIER DEMAND: TECHNOLOGY BUSINESSES BROADEN THE OCCUPIER BASE

Against this backdrop, the science and innovation occupier base is widening well beyond traditional biopharma. AI, defence technology, quantum, robotics, semiconductors and advanced materials are generating new kinds of requirements, from dry labs and automation-ready wet labs to secure, high-power industrial space.

The largest Golden Triangle deals of 2026 include quantum computing company Oxford Ionics, defence tech scale-up Cambridge Aerospace, robotics company Humanoid and sustainable-fuels company OXCCU. Other Q3 lettings included Meatly (11,000 sq ft, Victoria Industrial Estate, London), SuperDielectrics (9,486 sq ft, The Press, Cambridge), Pierre Fabre (7,084 sq ft, Chiswick Business Park) and Geneweaver (6,000 sq ft, Granta Centre, Granta Park).

INVESTMENT ACTIVITY: NO RECORDED TRANSACTIONS IN Q3

Life sciences real estate transaction volumes are likely to remain constrained while debt costs remain elevated and uncertainty weighs on investment decisions. A more cautious environment will favour well-specified laboratory assets in established clusters, supported by credible occupier demand and tenants whose funding runway and ability to meet rental commitments can be assessed with confidence.

DEVELOPMENT PIPELINE: 2.39M SQ FT UNDER CONSTRUCTION TO 2028

London accounts for 1.55m sq ft (65%), Oxford 428,960 sq ft and Cambridge 409,933 sq ft. Around 362,000 sq ft is due in Q4 2026, led by 17 Columbus Courtyard, London (190,000 sq ft, Oaktree Capital Management and LS Estates), 2000 Discovery Drive at Cambridge Biomedical Campus (111,933 sq ft, Prologis) and St Andrews House, Cambridge (60,000 sq ft, HIG).

Key contacts

Offices
Retail
Logistics & Industrial
Healthcare
Life Sciences
Data Centres
Student Property
Automotive
Capital Markets
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