

MARKETBEAT BUILD TO RENT

Q4 2025

Better never settles

BUILD TO RENT INVESTMENT ACTIVITY

In 2025 there was a record amount invested into the Build To Rent (BTR) market, with a total of £5.2bn in deals. Of these, almost half were Single Family Housing (SFH) demonstrating how the SFH market has been easier to navigate. Despite strong investment volumes in 2025, the BTR market was still challenging. The relatively nascent nature of the BTR sector and its limited operational stock combined with a tough development market meant investors were held back despite strong appetite.

As we enter 2026, market sentiment has improved, supported by a December 2025 interest rate cut and expectations of further reductions. This is boosting investor confidence and should improve the competitive nature of BTR returns. In addition, the Planning and Infrastructure Bill, Renters’ Rights Act, and Scotland’s Housing Act 2025 all received Royal Assent in late 2025, providing greater regulatory clarity and stability across the sector.

The government has signalled a clear commitment to accelerating housing delivery and planning reform, with initiatives such as the release of Grey Belt sites, a default ‘yes’ for residential development around transport hubs, the London Housing Emergency measures and The National Housing Bank. Together, with improving lending conditions, these reforms should help support the delivery of new homes and strengthen market fundamentals. However, the development market will still face challenges and in order to support viable BTR development continued innovation in how capital is blended and structured will be key in 2026.

Value for money will be overarching theme in 2026 with softer labour market conditions and their impact on wage growth expected to temper rental growth. Sustainable rental growth is forecast given the long-term supply demand imbalance the sector faces. Investor interest is expected to be focused on products which offer renters value for money at all levels of the quality ladder.

Overall, we are increasingly optimistic about the BTR market heading into 2026, as macro headwinds continue to ease, investor demand remains strong, and the long-term requirement for well-managed, high-quality rental housing is clear.



James Dunne
International Partner
Head of Living, UK
james.dunne@cushwake.com
+44 (0) 7768 553 337

KEY TAKEAWAYS



£5.2bn was invested in UK BTR in 2025, the strongest year on record. SFH accounted for 48% of investment.



In 2026 rents are forecast to increase 3.7% in the UK. Softer labour markets will place downward pressure on rents, while the ongoing shortage of rental homes will place some upward pressure leading to a sustainable growth trajectory



UK (Excluding London) rental growth averaged 2.2% in the year to December, down from 3.7% the previous year.



London rental growth returned to positivity with an average 2.8% in the year to December, up from -2.6% the previous year.



To date there were 146,700 complete BTR units, however future pipeline is set to slow with a 15% decline in BTR homes under construction.

MARKET FUNDAMENTALS

	YOY Chg	12-Month Forecast
2.2% UK (excl.London) rental growth	▼	▲
2.8% London rental growth	▲	▲
208,000 Planning permissions granted	▼	▼
146,700 Complete BTR units	▲	▼

ECONOMIC INDICATORS

	YOY Chg	12-Month Forecast
4.4% Regular weekly earnings growth	▼	▼
32.3% *Rent to income ratio	▼	—

Sources: Cushman & Wakefield Research, Homelet, GOV.UK, BPF, ONS.

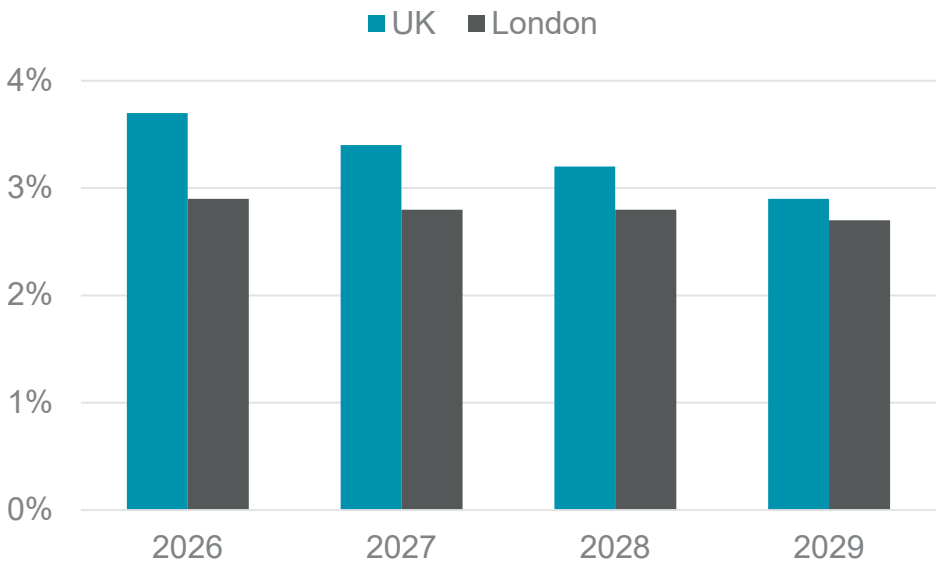
RENTAL FORECASTS

In 2025, the pace of rental growth continued to slow as demand cooled. This was driven by a decline in net migration, an increase in first-time buyers, and affordability pressures that led to more young adults living with parents. The latter deferring underlying demand rather than satisfying it. Nonetheless the UK continues to face a shortage of rental homes, with the RICS residential survey showing landlord instructions in negative territory throughout the year. Positive wage growth saw income continuing to outstrip rental growth, improving affordability, albeit still above recommended levels for many renters.

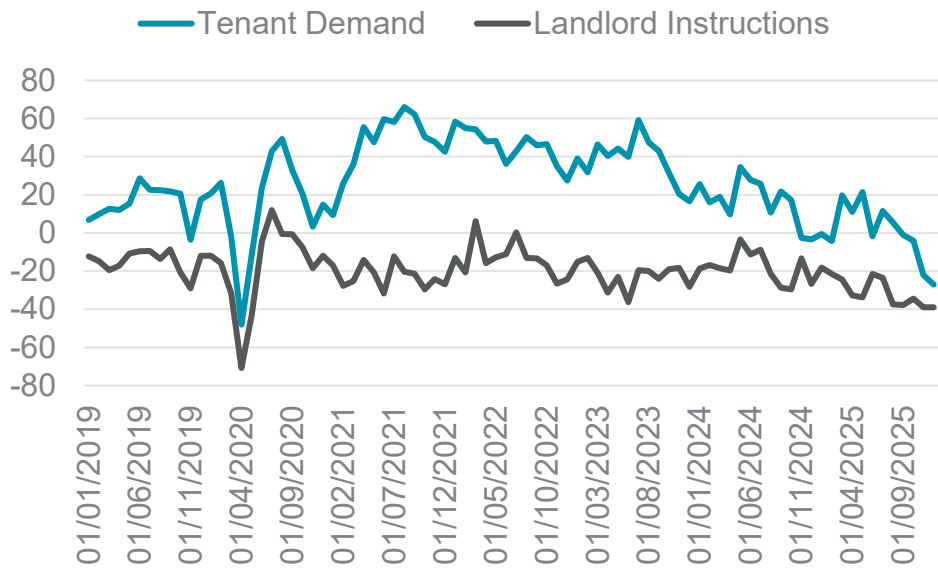
Despite a cooling in demand, the imbalance between supply and demand remains and is unlikely to improve in the short to medium term. Increased regulations (recent tax changes, MEES, and the Renters Right Act) are likely to continue to push many private landlords out of the market and despite strong investor appetite in the Build to Rent sector, viability issues have and will continue to impact the level of new supply coming forward.

Looking ahead we expect rental growth to continue at a sustainable level. Softer labour market conditions and their impact on wage growth will place downward pressure on rents, while the ongoing shortage of rental homes will place some upward pressure. Similar to the sales market, UK rental growth is expected to outpace London given greater affordability pressures in the capital.

RENTAL FORECASTS

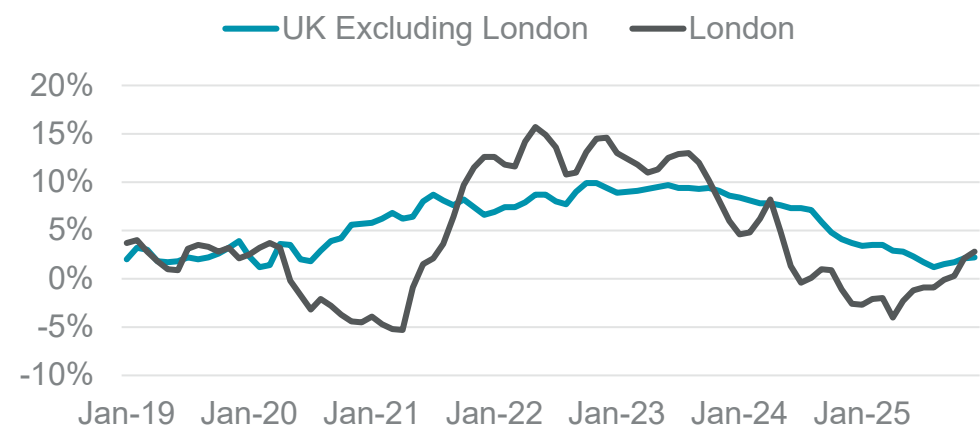


TENANT DEMAND VS LANDLORD INSTRUCTIONS

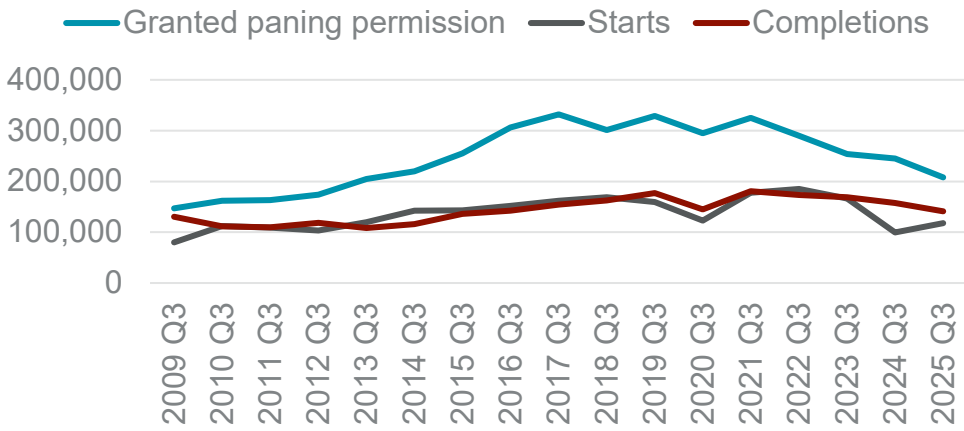


Net balance = Proportion of respondents reporting a rise in demand minus those reporting a fall

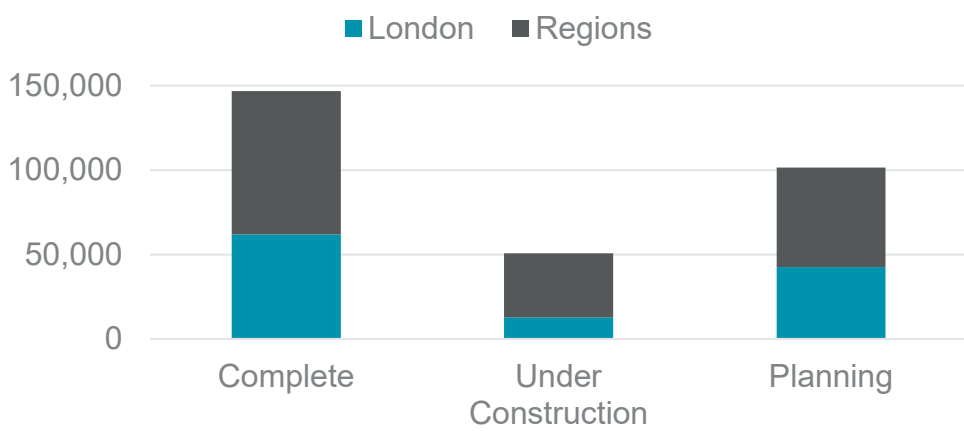
ANNUAL RENTAL GROWTH



ENGLAND NEW HOMES DELIVERY



UK BTR PIPELINE



RENTAL PERFORMANCE

Rental growth in the UK has eased from the recent highs which has been driven by a cooling in demand. December 2025 data shows UK rents (excluding London) increased by 2.2% over the year, down from 3.7% growth recorded the previous year and 8.6% in 2023. As of December 2025 the average rent in the UK (excluding London) stood at £1,124pcm.

In London rents increased by 2.8% over the year to December 2025, a significant turnaround from -2.6% the previous year. Average monthly rents in London now stand at £2,129pcm.

Northern Ireland (9.3%), the North East (6.6%) and East Midlands (4.9%) led the way with the strongest annual rental growth in December 2025. Meanwhile, Yorkshire and Humber (1.7%), North West (-0.2%) and South East (-1.1%) experienced the lowest increase in rents.

NEW HOMES DELIVERY

The slowdown in new home delivery continued in 2025, underscoring persistent challenges in the construction market. These pressures are being driven by higher borrowing and construction costs, softer demand arising from affordability constraints, the withdrawal of Help to Buy, and the continued viability crisis linked to an increasingly complex regulatory and policy environment.

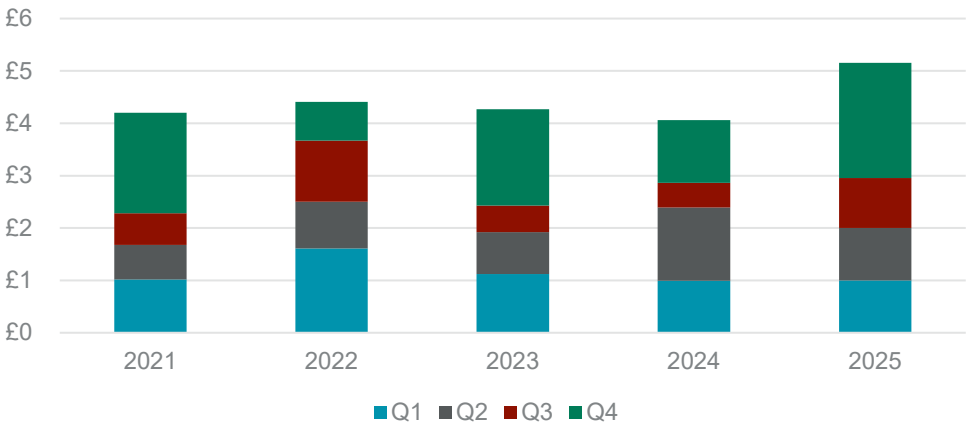
In the year to Q3 2025 planning approval was granted for a total of 208,000 homes, reflecting a 15% decline compared to Q3 2024. The number of construction starts in the same period increased by 18% to 117,980, but this was coming from a very low base of 99,570 the previous year. Compared to the previous 5-years, construction starts have seen a 22% fall. Construction completions fell annually by 10%, with a total of 141,290 construction completions.

Looking specifically at BTR new homes delivery, as of Q4 2025 there were 146,700 complete BTR units in the UK, up 13% on the same time last year. However, we have seen a slowdown in the number of BTR homes under construction, with a total of 50,600 in Q4 2025, down 15% on last year. There are 101,500 units currently in planning, but viability challenges mean a lot of these won't be brought forward immediately.

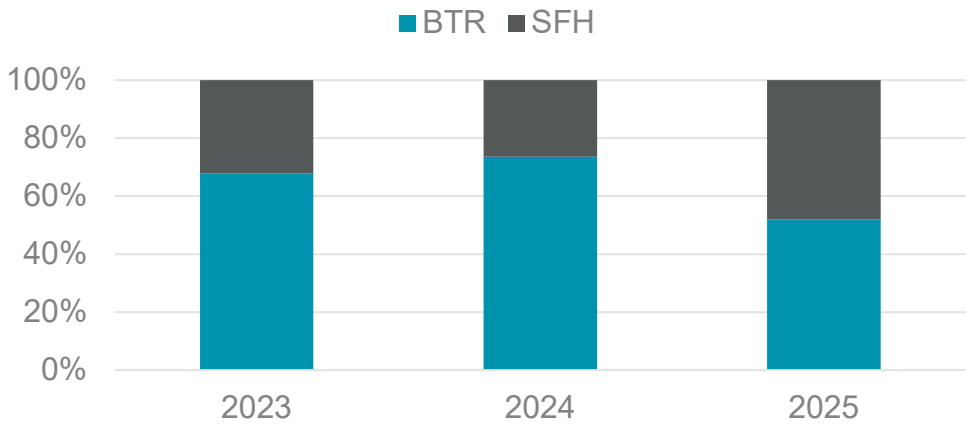
The outlook for 2026 is more positive, supported by improving lending conditions and forecast interest rate cuts, which should enhance the competitiveness of BTR returns. Combined with clear government signals to accelerate housing delivery, through initiatives such as the release of Grey Belt sites, a default "yes" for residential development around transport hubs, and the London Housing Emergency measures, these factors should support an uplift in BTR construction activity.

Sources: Cushman & Wakefield Research, Homelet, GOV.UK, BPF

BTR INVESTMENT VOLUMES (£ BILLIONS)



BTR VS SFH INVESTMENT VOLUMES



BTR YIELDS

	October 2025	November 2025	December 2025	12 Month Movement
Prime London	4.00%	4.25%	4.25%	0bps
Greater London	4.50%	4.50%	4.50%	0bps
Prime Regional	4.75%	4.75%	4.75%	0bps

BTR INVESTMENT VOLUMES

In Q4 2025 £2.2bn was invested into the BTR sector, the strongest quarter on record. SFH continued to remain dominant in the market representing 57% of deals in Q4.

In 2025 there was a total £5.2bn invested into the BTR market, the strongest year on record. In total 48% of deals in 2025 were SFH, the highest proportion on record. The acquisition of PRS REIT for £1.1bn very much boosted these figures.

In 2026 we expect BTR investors and developers to continue to be innovative in how capital is blended and structured. Investors with different risk tolerances, hold periods, and return requirements need to be aligned through innovative frameworks in order to deliver more rental homes. We also expect value for money to be a key topic on investors minds, with many looking for products which offer renters a well-managed yet ‘affordable’ place to live. There is of course question over the impact of Trumps ban on institutional investor home purchases, with many speculating a boost in UK residential investment.

BTR YIELDS

A narrow spread between BTR yields and the risk-free rate continued to hold back investment. However, with several key deals under offer and improved optimism following the December rate cut, some inward movement may be on the cards.

2025 KEY DEALS



PRS REIT

Buyer - Northern LGPS & LPPI

Seller - PRS REIT

Price - c.£1.1bn

Comment - LGPS money being a key investor in UK residential for PRS REIT. Entire portfolio of c.5,400 homes sold.



BARKING WHARF

Buyer - Greystar

Vendor - Invesco

Price - c.£170m

Comments - This year has been typified by the trading of standing stock in multifamily. Greystar purchased Barking Wharf from Invesco, with a business plan around efficiency in place to drive NOI.

Sources: Cushman & Wakefield Research, RCA



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JAMES DUNNE

Head of UK Living

james.dunne@cushwake.com

MIKE GORMAN

Head of Regional Residential Capital Markets

mike.gorman@cushwake.com

MATTHEW DUNCOMBE

Head of Residential Valuations

matthew.duncombe@cushwake.com

MILLIE HARPER

Head of UK Living Research & Insight

millie.harper@cushwake.com

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