

MARKETBEAT LIVING

Q1 2026

Better never settles

LIVING MARKET OVERVIEW

The heightened geo-political uncertainty in Q1 impacting the wider market has also fed into the living sector via a more uncertain future interest rate environment and increased investor caution. That said, looking beyond short-term volatility, strong structural and demographic trends continue to underpin occupier and investor demand in the living segments. This is reflected in our latest European Living Investor Survey, which shows that across Europe two-thirds of respondents hold allocations of 20% of more in the sector, and 96% expect to increase their allocation to living segments over the next five years.

Alongside Germany and Spain, the UK remains the most preferred geography for investment in 2026.

Looking at transactional activity, it was a strong start to the year, driven by £1.9bn of PBSA assets traded. Despite recent headwinds, PBSA in the UK is by far the most mature market in Europe, reflected in both investment activity and number of beds. The forecasted growth in 18-year-olds over the next five years will underpin selective demand. Within the BTR space, Q1 saw the largest regional standing asset traded, Ebb & Flow in Reading. Pricing remained stable in Q1 across all living segments, but some segments are starting to see upward pressure on yields as the Iran conflict continues to feed into higher risk-free rates.

Viability issues remain for housing developers. Firstly, further cost uncertainty on top of a 42% jump in construction material costs compared to a 28% rise in new build house prices since 2019 means less sites can progress. In addition, lower sales rates and consumer demand coupled with increased construction timelines is putting further pressure on financing.

The government is looking to address some of the financing issues and increase the rate of house building through the recently launched National Housing Bank (NHB). The NHB will look to partner with developers and investors, by providing debt, equity and guarantees to get more stock to the market at a quicker rate.

In the quarter's MarketBeat, we spotlight the co-living segment, a fast-growing part of the living sector.



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KEY TAKEAWAYS



£2.6bn of transactional activity across living segments in Q1 2026



Heightened geo-political uncertainty in Q1 feeding into greater investor caution



PBSA investment volumes in Q1 boosted by UNITE deal, overall investor demand is more mooted



Pricing stable across living segments in Q1, although certain parts of the market seeing upward pressure on yields



Renters Rights Bill comes into effect in May

MARKETBEAT STUDENT ACCOMMODATION

Q1 2026



PBSA MARKET FUNDAMENTALS

	YOY Chg	12-Month Forecast
4.5% University let annual rental growth*	▲	▲
1.2% Direct let annual rental growth*	▼	▲
2,226,852 Total enrolled students	▼	▼
4.5% Annual change in student visas issued over 2025	▲	▼

ECONOMIC INDICATORS

	YOY Chg	12-Month Forecast
3.3% Annual inflation rate	▲	▲
3.75% Bank of England interest rate	▼	—

Sources: Cushman & Wakefield Research, ONS
*Growth between academic year 2024/25 and 2025/26

PBSA OVERVIEW

In Q1 of 2026, UK student visa policy has tightened materially as part of a broader immigration reset. The most significant change is the introduction of a 'visa brake' from 26th March 2026, under which student visa applications are automatically refused for nationals of Afghanistan, Cameroon, Myanmar and Sudan, reflecting government concerns around rising asylum claims via legal routes. Alongside this, visa costs have increased from 8th April 2026, with the main student visa fee rising to £558 and the Graduate visa to £937, increasing the overall cost burden on international students. These changes sit within a wider tightening of the system, including higher financial requirements and stricter compliance expectations, while confirming future reforms such as the reduction of Graduate Route to 18 months from 2027. In Cushman & Wakefield's opinion the direction of travel is towards greater selectivity, higher cost and tighter control, with potential implications for international demand and university recruitment strategies.

SUPPLY DEMAND IMBALANCE

Over the past three years, in the 25 major markets (including London), the national average student to bed ratio has declined slightly from 2.10 students per bed to 2.05 students per bed, highlighting the continued demand supply imbalance. Going forward, demand will be more selective and focused on the best institutions.

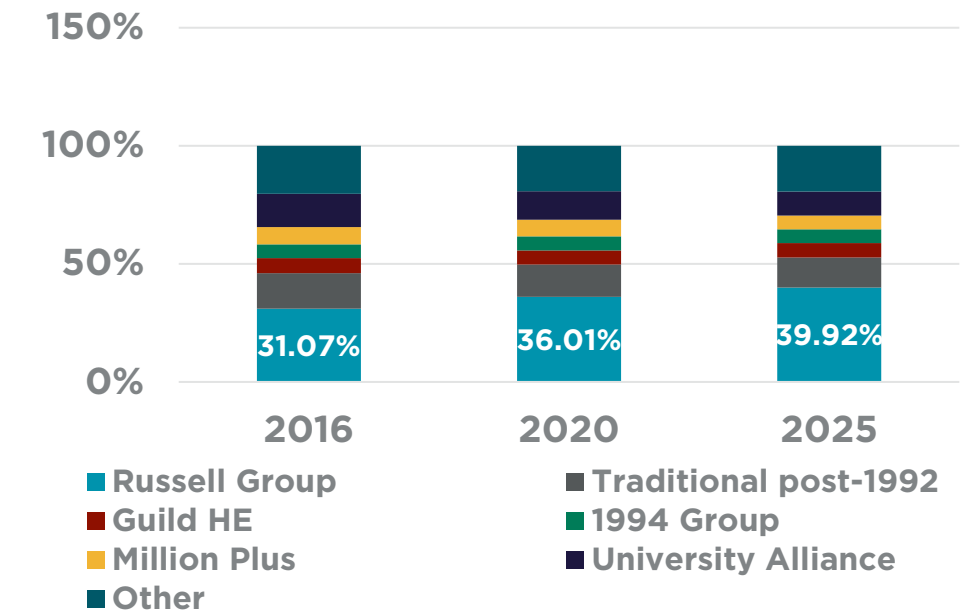
RENTAL PERFORMANCE

University let PBSA rental growth (4.5%) outperformed direct let PBSA (1.2%) between the 2024/2025 academic year and 2025/26. We expect this trend to continue this year.

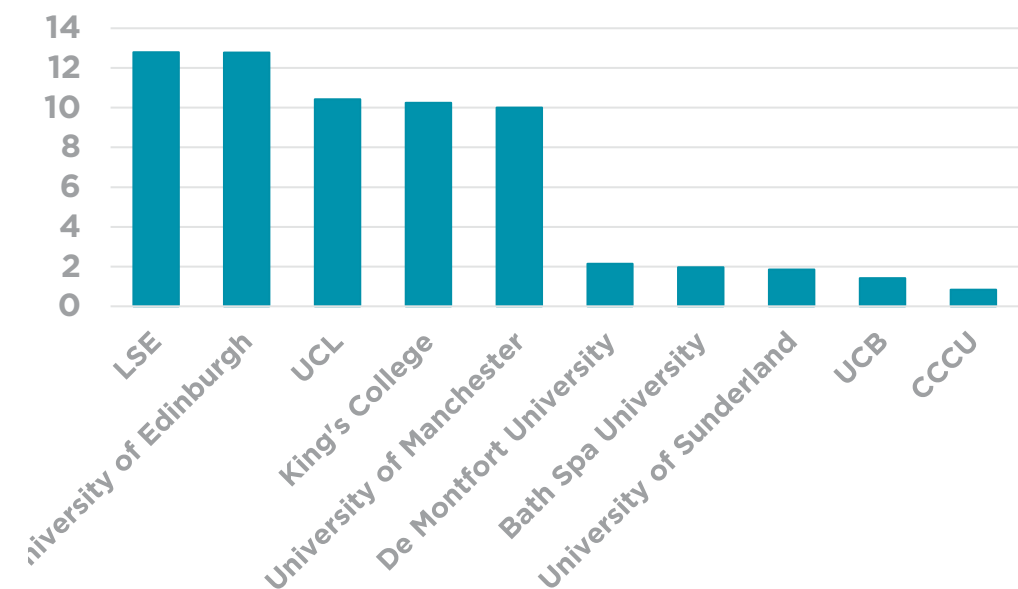
PIPELINE

National pipeline stands at 186,153 but only 2,004 beds have started on site in Q1 2026 and 3,778 Q4 2025. 54% of these starts are across just two sites, highlighting the lack of development in the current market.

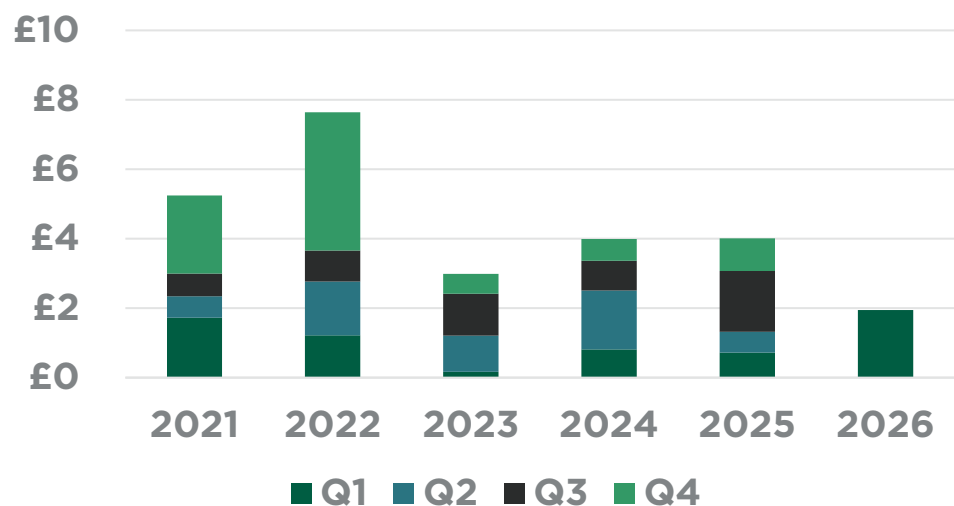
APPLICATIONS TO HIGHER EDUCATION, 2024/25



APPLICATIONS PER PLACE IN 2024/25



PBSA INVESTMENT VOLUMES (£ BILLIONS)



PBSA YIELDS

	Q1 2024	Q1 2025	Q1 2026	12 Month Movement
Prime London	4.00%	4.00%	4.50%	+50bps
Greater London	4.75%	4.75%	5.00%	+25bps
Prime Regional	5.25%	5.25%	5.50%	+25bps

PBSA YIELD COMMENTARY

Prime yields have softened over the past 9 months due to lowered rental growth and concerns in certain markets around occupancy issues.

We anticipate yields in markets with strong occupier demand and limited new supply to remain broadly stable in 2026.

PBSA INVESTMENT VOLUMES

By the end of 2025, total transaction volumes exceeded £4bn, in line with the previous year and 30% higher than in 2023.

In Q1 2026, £1.94bn of PBSA assets were traded. Despite the large headline number which was primarily driven by the sale of the Empiric portfolio, investor demand is more cautious as many look to see how the occupational story plays out this year.

The market has seen a split between joint venture and operational asset transactions over the past three months, with solid activity for value-add opportunities.

Land sales have continued to decline, reflecting ongoing development challenges that are likely to limit the supply of prime, stabilised operational assets going forward.

Other transactions included Limelight, a 535-bed scheme in Liverpool, which sold for £61m / 5.80%, and Stanley Studios in Southampton, which achieved £43m and also at a 5.80% NIY.

Just under £382m of stock was brought to market in Q1, including Vista Square in Liverpool (£38m) and Citi View London (£191m).

Figures indicate that just under £800m of PBSA stock is currently under offer.

Q1 2026 KEY DEALS



Empiric Student Property

Buyer - Unite Group

Seller - Empiric Student Property

Price - £723m (c.£93k per bed)

Comment - 7,700 beds



Limelight, Liverpool

Buyer - Harbert Management Corporation

Vendor - Blacklight Capital Partners

Price - £61m (£114k per bed)

Comments - 535 beds, 5.80% NIY

BTR MARKET FUNDAMENTALS

	YOY Chg	12-Month Forecast
1.6% UK (excl.London) rental growth	▼	▲
1.8% London rental growth	▼	▲
15,509 Units completed in 12 months to Q1 2026	▼	▲
49,984 Units under construction	▼	▼

ECONOMIC INDICATORS

	YOY Chg	12-Month Forecast
3.8% Regular weekly earnings growth	▼	▼
32.3% *Rent to income ratio	▼	—

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

BTR OVERVIEW

The launch of the National Housing Bank on the 30th March will give much needed impetus to the BTR market. Providing equity, debt and guarantees to both developers and investors to help bring schemes forward and more stock to the market. Both the upcoming Building Safety Levy and future of homes standard will increase costs to developers.

RENTAL PERFORMANCE

Annual rental growth continued to ease over Q1, slowing from 2.1% in January to 1.6% in March (UK excluding London). The average rent for UK (excl. London) was £1125 in March. It's a similar picture in London, where annual rental growth slowed over the quarter, from 2.6% in January to 1.8% in March. The average rent in London was £2097. We forecast PRS rental growth to average 3.7% in 2026, which will put it slightly ahead of inflation.

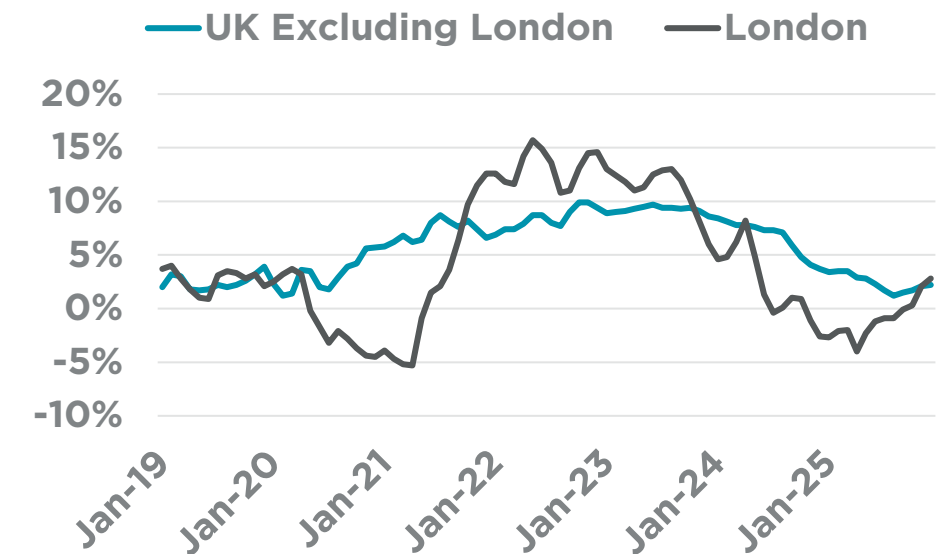
SUPPLY DEMAND IMBALANCE

The gap between demand and supply narrowed over 2025, reflected in moderating rental growth. Tenant demand after falling for 6 months, stabilised in the first two months of 2026, according to the latest RICS Monthly Housing Survey. Supply, as measured by Landlord instructions continues to contract, as many buy to let landlords continue to exit the market with further additional tax changes set out last year's budget and the imminent implementation of Renters Rights Act. This will continue to create more space for intuitional investors to enter the market and meet future demand.

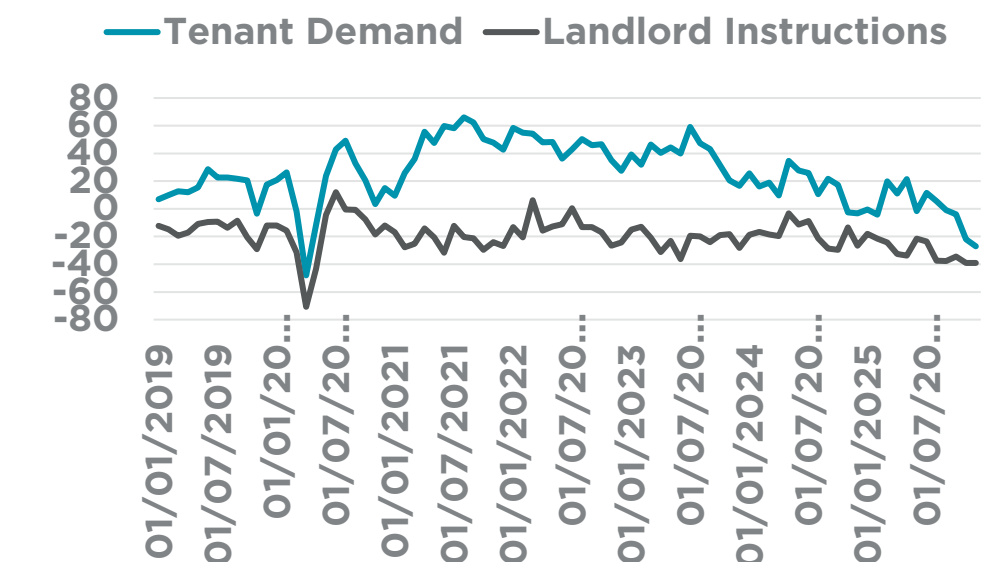
PIPELINE

In the 12 months to Q1 2026, 15,509 BTR units were completed, 24% less than the previous 12 months. The number of units under construction fell by 17% in Q1 2026 relative to Q1 2025. The drop was more substantial in London, dropping by 29% compared to 11% in the regions. There are 12,145 homes under construction in London and 37,850 outside the capital. Annual completions have outpaced starts for nine consecutive quarters, highlighting the sharp contraction in number of units being built.

ANNUAL RENTAL GROWTH

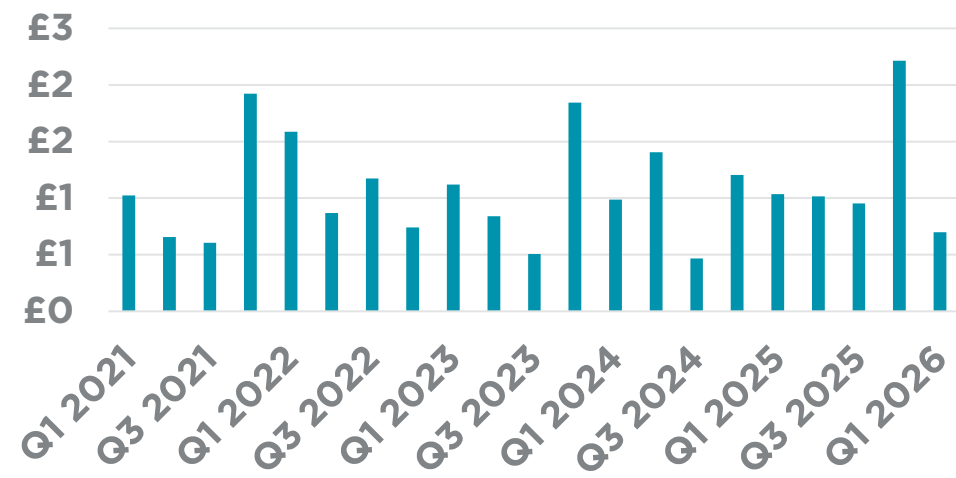


TENANT DEMAND VS LANDLORD INSTRUCTIONS

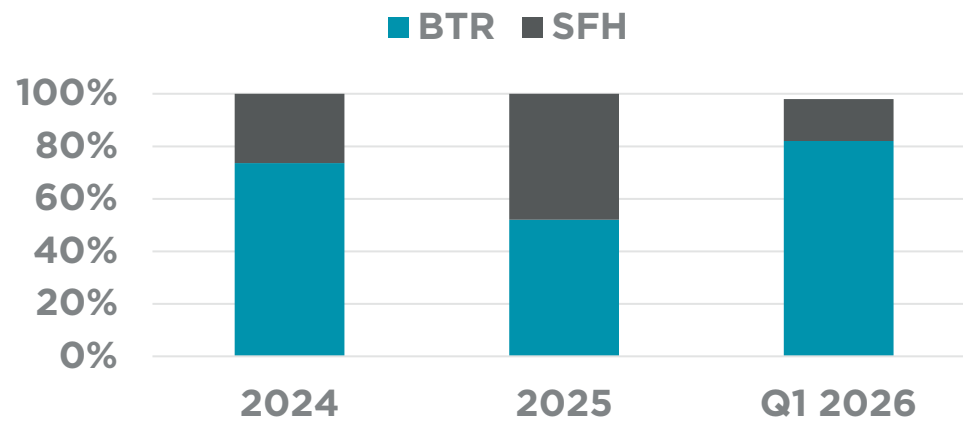


Net balance = Proportion of respondents reporting a rise in demand minus those reporting a fall

BTR INVESTMENT VOLUMES (£ BILLIONS)



BTR VS SFH INVESTMENT VOLUMES



BTR YIELDS

	January 2026	February 2026	March 2026	12 Month Movement
Prime London	4.25%	4.25%	4.25%	+25bps
Greater London	4.50%	4.50%	4.50%	-
Prime Regional	4.75%	4.75%	4.75%	-

Sources: Cushman & Wakefield Research, RCA

BTR INVESTMENT VOLUMES

Just under £700mn of BTR assets were traded in Q1 2026, down from the £1.0bn traded in Q1 2025. The majority of stock traded was standing assets, and outside of London, the largest regional asset on record traded - Ebb & Flow in Reading, acquired for £200mn by PIC. Following on from LGPS and LPPI acquiring PRS REIT for £1.1bn in Q4 2025m, this Reading deal highlights the increased appetite for living assets by pension and insurance capital sources.

Following a strong 2025 for single family homes, transactions in that space were muted in Q1 2026 (16% of overall BTR investment), but with several large transactions currently progressing, we expect strong numbers over the next six months.

Given the challenging home sales market, more deals that reflect the housebuilder partnership model were done in Q1. Bricklane is forward funding and has forward committed to 340 single family units across multiple sites by developer Barratt.

BTR YIELDS

Prime net initial yields have remained stable in Q1 across both London and the regions. The increase in fixed income yields is putting upward pressure on real estate yields across the living segments. The longer the Iran conflict continues, the greater the likelihood of yields moving outward. Additionally, the introduction of the Renters Rights' Bill will introduce operational challenges in the short term, as landlords familiarise themselves with the new legislation. But it will also strengthen the institutional BTR segment's long term competitive position against smaller, BTL landlords.

A strong tailwind is the weight of capital looking to enter the sector, with competitive tension on quality assets remaining.

Q1 2026 KEY DEALS



EBB & FLOW, READING

Buyer - PIC

Seller - Lincoln MGT

Price - c.£200MN

Comment - The largest BTR transaction outside of London.



Clapham and EarlsField

Buyer - Principal Asset Management

Vendor - Taylor Wimpey/ Countryside Partnership

Price - c.£100mn

Comments - Two assets, one forward funding and one operational.

BTS MARKET FUNDAMENTALS

	YOY Chg	12-Month Forecast
2.2% UK annual house price growth	▲	▲
62,584 Mortgages approved	▼	—
102,410 Monthly transactions, Feb 2026	▲	—
208,000 Granted planning permission	▼	▲

ECONOMIC INDICATORS

	YOY Chg	12-Month Forecast
4.42% 2-year fixed mortgage 90% LTV	▲	▼
31.9% FTB mortgage payment as % take home pay	▼	—

Sources: Cushman & Wakefield Research, Nationwide, HMRC, GOV.UK, BoE,

BTS OVERVIEW

The sales market seems to be trading water in the early months of 2026, with mortgage approvals dipping slightly, despite an acceleration in house price growth. The heightened geo-political uncertainty is already feeding into higher mortgage rates, which will likely dampen demand over the coming months although to what degree, will depend on the duration and scale of the current conflict. That said, the relaxation of the cap for lenders on high loan to income loans will increase the availability of secured debt to homebuyers and support transactional activity.

DEMAND

Completed transactions started the year strongly on the back of solid demand in H2 2025. The latest data from HMRC suggests 102,410 residential properties traded in February, the highest level since March 2025. That said, forward looking indicators such as mortgage approvals have started to dip this year, the rolling 3-month annual growth rate shows approvals down 7.3%. Given the upward pressure on mortgages on the back of the Iran conflict, it's likely to dampen demand further at least in the short run.

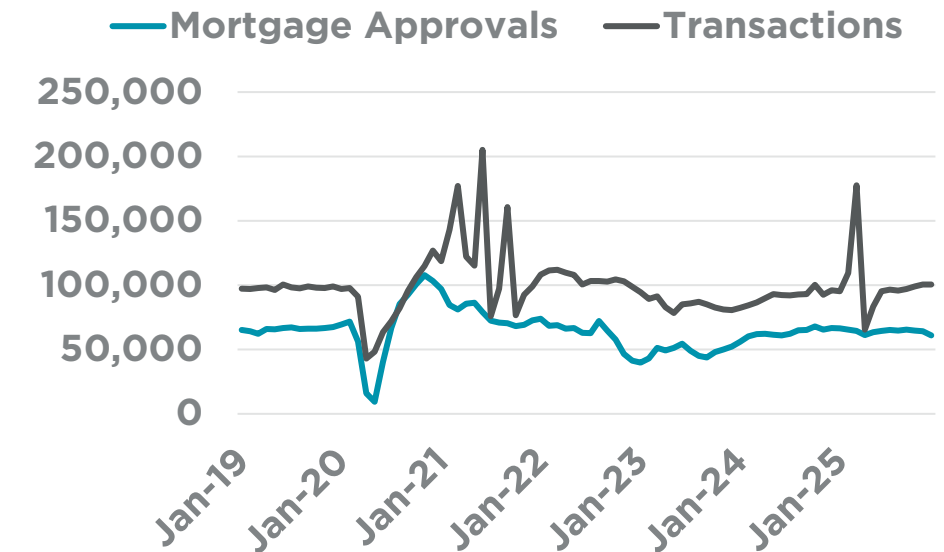
HOUSE PRICES

The Nationwide house price index surprised on the upside in March, rising 2.2% following a slowdown in price growth over the past six months. The rise in the cost of borrowing will dampen price growth in H1 2026.

PIPELINE

142,000 new houses were completed in 2025, the lowest build rate since 2015. Looking ahead, new build starts in Q4 ticked up to 37,000 from 30,000, the highest rate of starts since Q1 2023. Despite the pickup in development activity, delivering the government's target of 300,000 new homes per year remains a distant goal.

MORTGAGE APPROVALS & TRANSACTIONS



UK ANNUAL HOUSE PRICE GROWTH



MARKETBEAT SPOTLIGHT ON CO-LIVING

Q1 2026

CO-LIVING MARKET FUNDAMENTALS

	YOY Chg	12-Month Forecast
1.2mn Number of 18-35 yr earning above £40k	▲	▲
6% Average rental discount to PRS market in London	▲	▲
4,970 Number of operational co-living units in London	▲	▲
16,567 Number of co-living units with planning permission in London	▲	▲

CO-LIVING OVERVIEW

Co-living is a fast-growing sub-sector of the living market, attracting increasing levels of capital, with London leading early growth and demand now spreading to regional markets in line with the evolution of BTR. The model addresses a gap between traditional renting and house sharing by offering purpose-built, high-quality homes in central locations, combining private space with flexibility, all-inclusive rents and a community-focused lifestyle. Efficient design supports strong income performance, with rental levels and occupancy comparable to BTR. While planning challenges remain, the sector is expected to expand further, supported by strong living-sector fundamentals and long-term structural changes in how people live and work. Location, affordability and amenity factors will be key when assessing the viability of any Co-Living scheme.

RENTAL PROFILE

As this segment is in its infancy, robust rental performance data is difficult to quantify, but as more stock to comes to the market, performance indicators will improve. It does move in line with the larger BTR market, and from our analysis of London schemes, it offers a 6% rental discount to the broader PRS market.

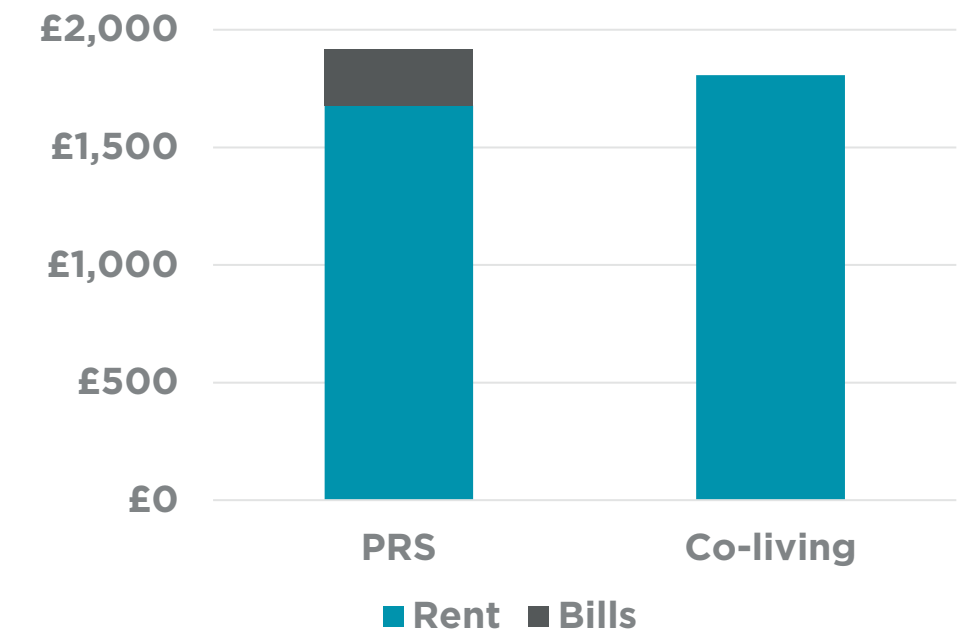
DEMAND

Co-Living is ideally positioned to address the needs of a diverse range of tenants, from students, to young professionals to those seeking flexibility and community at different stages of their lives. The key demographic driving demand is private renters aged between 18-35-year-olds. Outside of London, the top 5 local authorities with the largest proportion in this demographic are Salford, Cambridge, Manchester, Bristol and Reading.

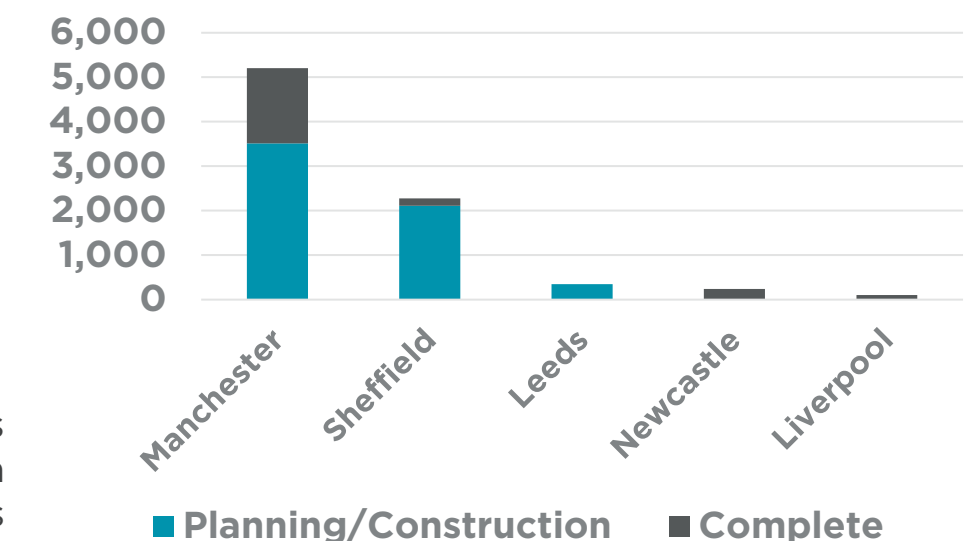
SUPPLY

London is leading the way with 4,970 complete Co-Living units according to Molior. There are 715 Co-Living units under construction and 14,807 with planning permission. . Manchester's Co-Living pipeline is leading the way in the regions with 1,688 Co-Living units complete and 3,514 Co-Living units in planning or under construction.

OCCUPANCY COSTS, PRS AND CO-LIVING



REGIONAL CO-LIVING SCHEMES



CO-LIVING YIELDS

	March 2026	12 Month Movement
Prime London	4.50%	Obps
Prime Regional	5.00%	Obps

Sources: Cushman & Wakefield Research, Molior, Homeviews Pro Dashboard, Urbinfo



MARKETBEAT LIVING

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