CUSHMAN & WAKEFIELD

MARKETBEAT LIVING

Q2 2026

Better never settles

MARKETBEAT
LIVING
Q2 2026

CUSHMAN & WAKEFIELD

LIVING MARKET OVERVIEW

Whilst the Iran ceasefire is fragile with numerous outbreaks in hostilities, energy prices have been trending lower recently. Inflation has eased to it's lowest rate since Q1 2025, and the Bank of England's most recent decision was to keep interest rates steady at 3.75%. However, the global bond market remains volatile, with bond yields elevated, feeding into sustained upward pressure on living yields.

The geopolitical uncertainty that framed our Q1 commentary did not derail investor activity in the living sector. As we anticipated, transactional activity accelerated with large deals completing, led by the two largest BTR transactions in London – The acquisition of L&Q's Metra Living platform for £1.1 billion, and Greystar's circa £500 million purchase of Elephant Park. These BTR deals beefed up investment volume figures for Q2, with a total of £2.4 billion being traded across the living sector. This is made up of £137mn in PBSA and £0.5bn in Healthcare. These large deals should not mask the very low churn activity in Q2.

The composition of capital flows into BTR changed materially this year. North American investors accounted for the majority of H1 BTR investment, while domestic capital accounted for around a third. This is a reversal of what we've seen over the past five years, with domestic capital much more dominant. Pension and insurance capital continued to build their BTR portfolios, and a housing association's exit from the private rented sector underlines how quickly the UK's rental stock is being institutionalised. We expect to see domestic capital return in H2 however led by Aberdeen's purchase of the 866-unit SFH portfolio from Leaf Living for Border To Coast PP.

Set against this record amount of investment into the space, the multi-family pipeline looks more sobering. Funding for new development has fallen significantly. Forward funding, forward purchases and land acquisitions are only a fraction of what we've seen on average over the past three years. We are also seeing declines at the planning stage, with our analysis of the overall planning pipeline showing housing applications declining by 54% in H1 2026 relative to H1 2025 in London, and 63% across major regional cities. Decision times are compounding the problem, with the median application now taking 25% longer in London and 59% longer in regional cities to reach full consent relative to pre-pandemic. With record amounts of capital looking to enter the living segments, there's an urgent need to alleviate the challenges around planning and development.

In the quarter's MarketBeat, we use MSCI data to spotlight the diversification benefits of allocating to residential segments and across different markets.

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

KEY TAKEAWAYS

- £2.4bn of transactional activity across living segments in Q2 2026
- BTR was the main driver, recording one of it's largest Q2 transactional volume at £1.8bn
- Increasing amounts of capital are targeting large, stabilised BTR portfolios
- PBSA investment volumes were subdued in Q2 at just £137mn, with investor sentiment impacted by occupancy concerns
- Yields moved out across living segments in Q2, as elevated gilt yields continue to put upward pressure on all real estate yields

MARKETBEAT

STUDENT ACCOMMODATION

Q2 2026

CUSHMAN & WAKEFIELD

PBSA MARKET FUNDAMENTALS

	YOY Chg
493,150 Accepted applicants	▲
291,760 UK 18 accepted applicants	▲
35.0% UK 18 entry rate	▼
71.1% Offer holders 18 placed firm provider	▲
58,080 International accepted applicants	▲

2026 ENTRY INDICATORS

35.0% Entry Rate 2026

35.6% Entry Rate 2026

58,080 Accepted Internationals 2026

56,370 Accepted Internationals 2026

Sources: Cushman & Wakefield Research, ONS
*Growth between academic year 2024/25 and 2025/26, UCAS. Accepted applicants is as of 6 days after A Level results day

PBSA OVERVIEW

The UK PBSA market remained resilient through Q2 2026, although performance is becoming increasingly differentiated by location, institutions and product quality. Leasing for the 2026/27 academic year has progressed well across many established University markets, with prime and well-located schemes continuing to out-perform, while greater availability remains evident among more price-sensitive and secondary stock.

The demand backdrop has, however, become more cautious. Sponsored study visa application from main applicants fell 8% year-on-year in the year ending June 2026, indicating continued softness in international recruitment, particularly among postgraduate cohorts. This is partly offset by a growing domestic 18-year-old population, which is expected to support UK undergraduate demand through the remainder of the decade, peaking in the 2031/32 academic year.

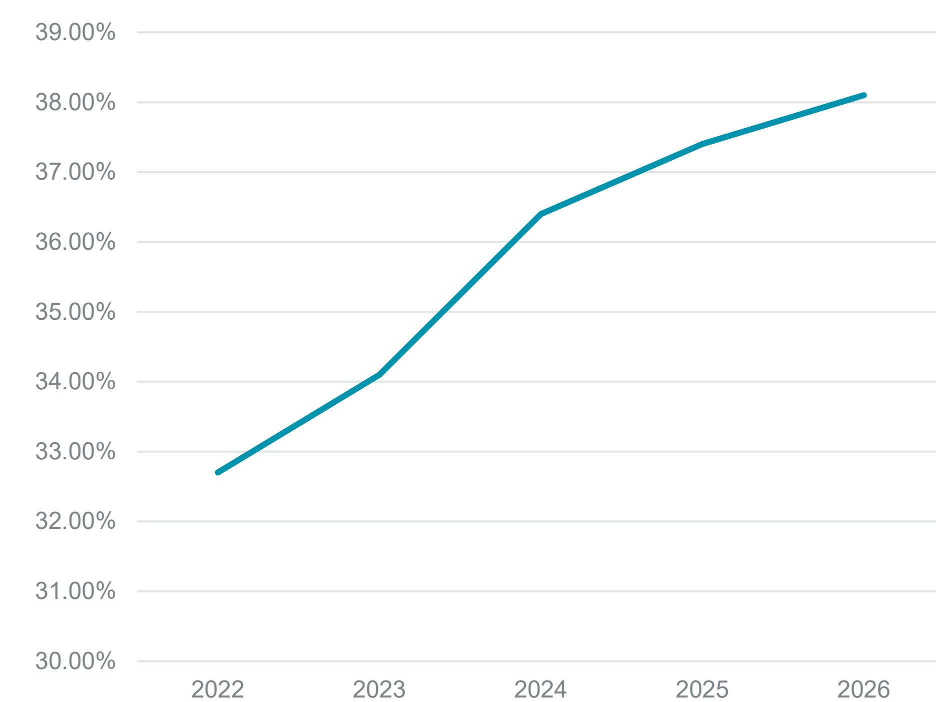
At the same time, tighter sponsor compliance requirements and affordability pressures are increasing the importance of institution-level performance when assessing accommodation demand and we see a continued growth in UK students choosing to live at home which will impact demand in some markets.

A-LEVELS RESULTS

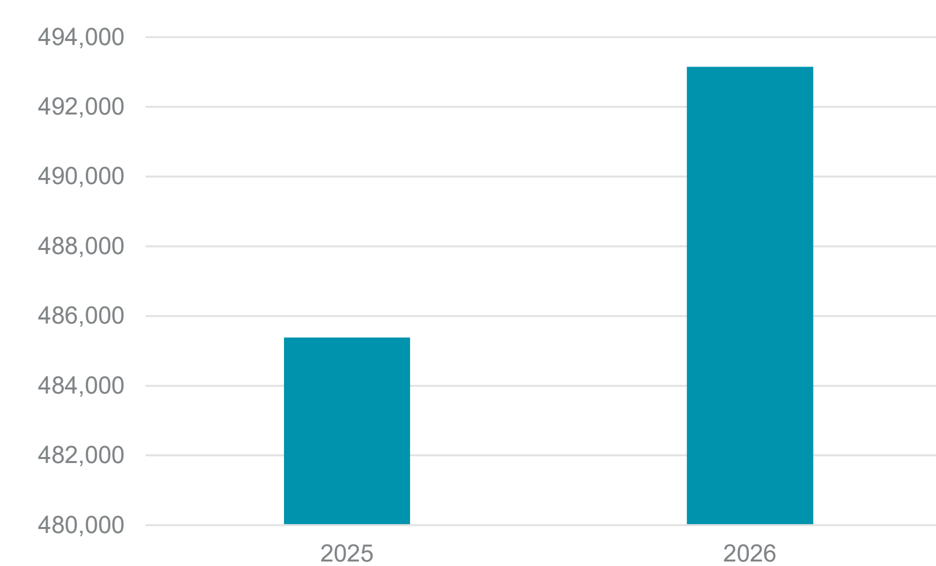
Acceptances are up 2% on last year, UK 18 year olds are up 3% this year and internationals are also up 2%. The number of UK students who got their firm choice dropped 3% this year. Conversely international students receiving their firm choice this year rose. Firm choices overall are up overall, driven by internationals.
There is a noticeable spike in students receiving their insurance choice in 26/27 (38k vs 33k last year) and is in fact the highest ever proportion that have been placed to their insurance choice.

As it stands, Clearing activity in 2026 is expected to be significant. The number of students entering into Clearing in 2026 is above the last two years but below 2021-2023. It is useful to note that the last two years saw the highest numbers of students placed via the Clearing system at the end of the cycle. This means that more students are choosing Clearing as a route as a percentage of overall students and should mean that this year overall numbers of students placed via clearing should be up. Overall, it is clear that more students are choosing Clearing as a route to "trade up" to higher quality institutions, especially at a time of more muted international recruitment.

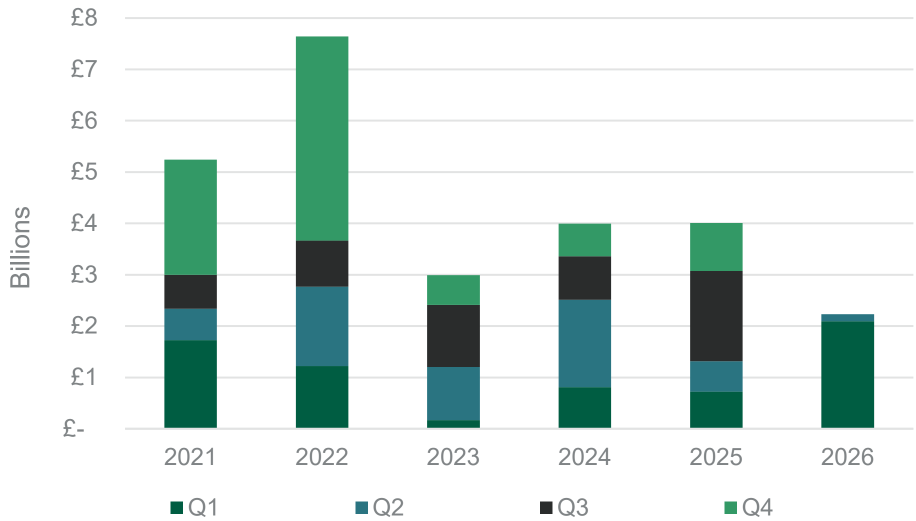
PROPORTION OF APPLICANTS INTENDING TO LIVE AT HOME



NUMBER OF ACCEPTED APPLICANTS



PBSA INVESTMENT VOLUMES (£ BILLIONS)



PBSA YIELDS

	Q2 2024	Q2 2025	Q2 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%	5.75%	+50bps

PBSA YIELD COMMENTARY

PBSA yields have remained broadly stable over the past three months, despite outward movement over the previous two years.

Operational performance across the sector has continued to remain dominant but some repricing has been evident among secondary assets and schemes in less established student markets.

PBSA INVESTMENT VOLUMES

Following a busy Q1, during which over £2bn of assets were traded, transaction activity slowed in Q2.

We tracked just over £137m of transactions in Q2, with the majority being operational assets and a handful of site sales. Whilst transactional volumes in Q1 were largely driven by the Empiric Portfolio Sale, Q2 has seen a large decrease on any previous Q2's that we have tracked over the past 8 years.

At £2.2 bn, the combined half-year total for 2026 is substantially higher than the equivalent point last year and reflects performance consistent with a number of preceding years.

Investors have continued to adopt a more cautious stance due to the ongoing geopolitical uncertainty and challenging capital market conditions. Elevated gilt yields have maintained pressure on debt pricing and investment yields, limiting the pool of active buyers. As a result, investors have become increasingly selective, with heightened focus on micro-market demand and supply.

Key transactions include Leazes Terrace in Newcastle, consisting of 315 beds for £25m (£79k pb) purchased by Newcastle United FC and Foundry Court and Trinity Student Village made up of 862 beds, transacting for just under £9.5m (£11k pb) bought by MCR Property Group. Portland House in London also sold at 6.08% for £19.15m (£134k pb).

Just over £310m of stock was brought to the market in Q2 including Mayfield Residences in Edinburgh (£60m) at a 5.75% NIY and ViBe Kingston (£53m) quoting 5.85%.

Latest figures show £688m of operational PBSA stock was under offer at the end of Q2.

Q2 2026 KEY DEALS

Three Tuns, Durham

- Buyer – Ward Group
- Vendor – Elvet Residences
- Price – £39m (£169k per bed)
- Beds – 178

The Coal Yard, York

- Buyer – Catalyst Capital / Spinnaker Estates
- Vendor – Urbanite
- Price – £19.1m (£110k per bed)
- Beds – 189

Sources: Cushman & Wakefield Research, RCA

MARKETBEAT

BUILD TO RENT

Q2 2026

CUSHMAN & WAKEFIELD

BTR MARKET FUNDAMENTALS

	YOY Chg	12-Month Forecast
3.4% UK (excl.London) rental growth	▲	▲
6.0% London rental growth	▲	▲
16,827 Units completed in 12 months to Q1 2026	▼	▲
50,362 Units under construction	▼	▼

ECONOMIC INDICATORS

	YOY Chg	12-Month Forecast
3.3% Regular weekly earnings growth	▼	▼
36.3% *Rent to income ratio	▲	—

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

BTR OVERVIEW

Viability issues persist for BTR development, and the introduction of the Building Safety Levy from the 1st October will add further cost, though it may pull applications forward into Q3. The National Housing Bank has moved from launch to deployment, helping to accelerate the delivery of BTR units. Looking ahead, the stock of stabilised, income producing assets will grow more slowly, with greater amounts of capital competing of it.

RENTAL PERFORMANCE

Annual rental growth accelerated in Q2, from 1.8% in April to 2.7% in June (UK excluding London). The average rent for UK (excl. London) was £1157 in June. It's a similar picture in London, where annual rental growth increased over the quarter, from 2.3% in April to 5.0% in June. The average rent in London was £2181. We forecast national PRS rental growth to average 3.2% over the next five years, which will put it slightly ahead of inflation.

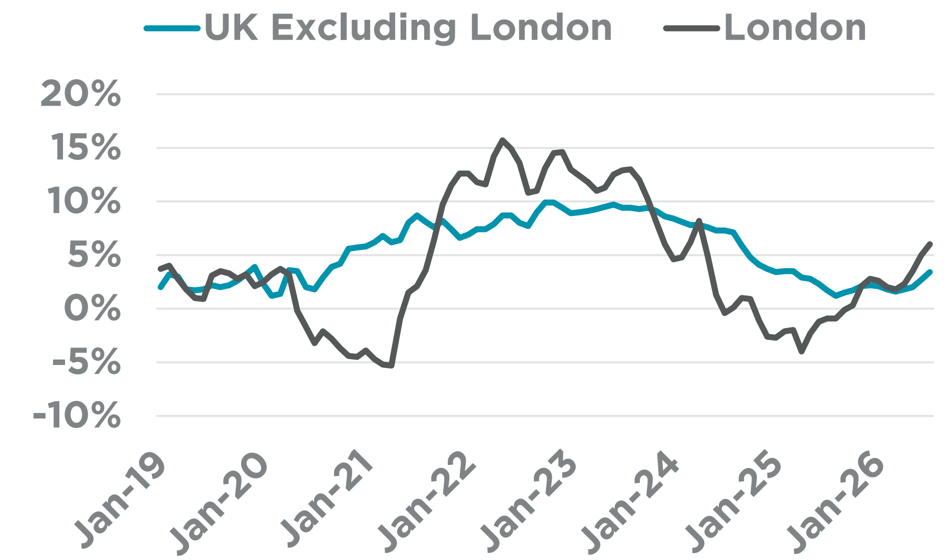
SUPPLY DEMAND IMBALANCE

After narrowing in 2025, the gap between demand and supply is once again widening in 2026. Tenant demand increased for the fourth consecutive month in June, according to the latest RICS Monthly Housing Survey. Supply, as measured by Landlord instructions, continues to contract (albeit at a slower pace), as many buy to let landlords continue to exit the market with further additional tax changes set out in last year's budget and implementation of Renters Rights Act. This will continue to create more space for intuitional investors to enter the market and meet future demand.

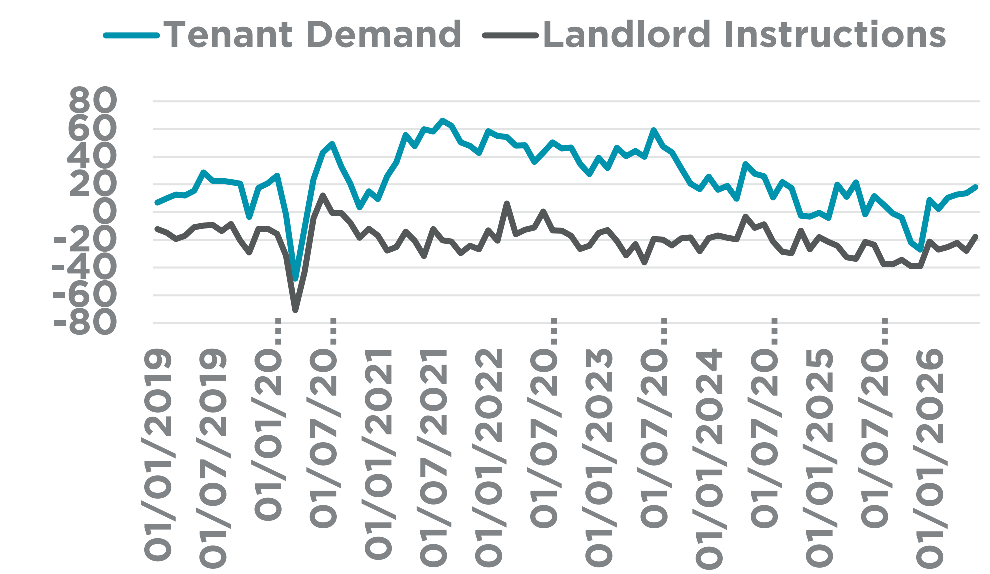
PIPELINE

In the 12 months to Q2 2026, 116,827 BTR units (multi and single family) were completed, 9% less than the previous 12 months. The number of units under construction fell by 21% in Q2 2026 relative to Q2 2025. The drop was more substantial in London, dropping by 27% compared to 19% in the regions. There are 12,643 homes under construction in London and 37,719 outside the capital. Annual completions have outpaced starts for ten consecutive quarters, highlighting the sharp contraction in number of units being built.

ANNUAL RENTAL GROWTH

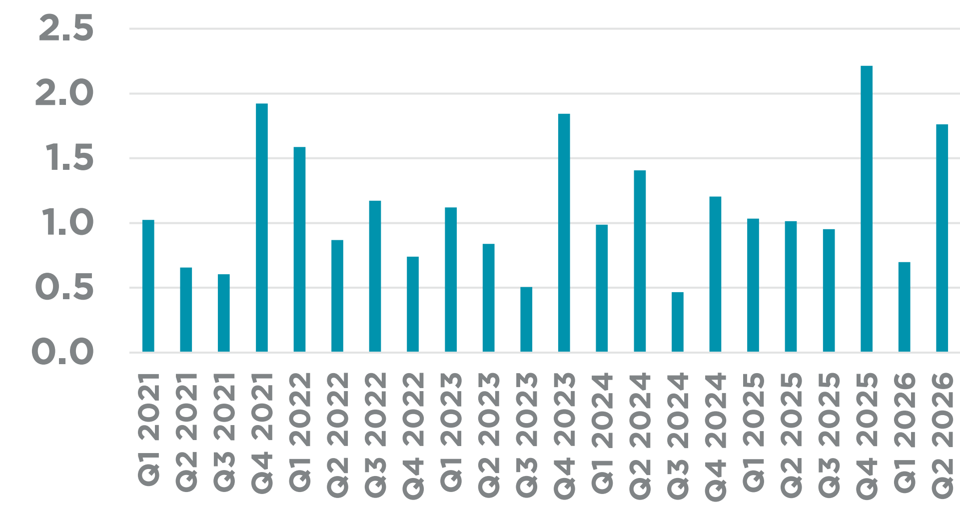


TENANT DEMAND VS LANDLORD INSTRUCTIONS

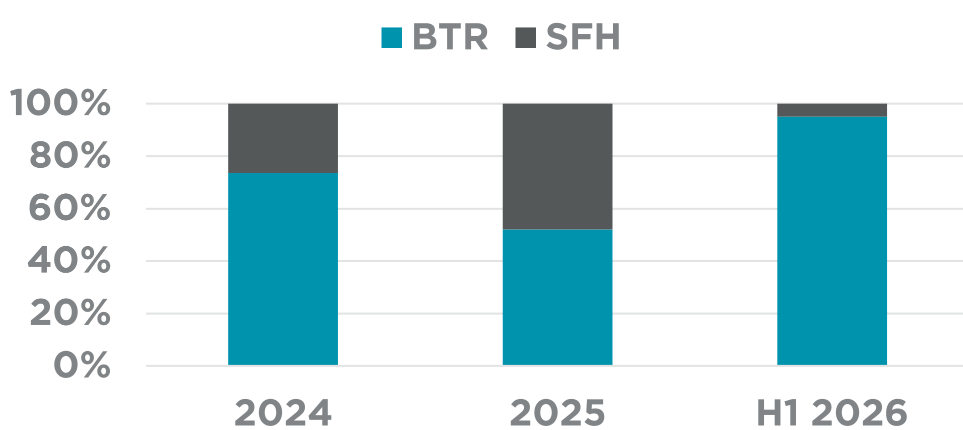


Net balance = Proportion of respondents reporting a rise in demand minus those reporting a fall

BTR INVESTMENT VOLUMES (£ BILLIONS)



BTR VS SFH INVESTMENT VOLUMES



BTR YIELDS

	Q2'25	Q1'26	Q2'26	12 Month Movement
Prime London	4.00%	4.25%	4.50%	+50bps
Greater London	4.50%	4.75%	4.75%	+25bps
Prime Regional	4.75%	5.00%	5.00%	+25bps

BTR INVESTMENT VOLUMES

H1 2026 was robust, with £2.6bn transacting. The headline number was driven by three large deals – Metra Living, Elephant Park and Ebb & Flow. In terms of number of deals, it was a weak first half of the year, but it does show the depth of demand for large, stabilised portfolios in this space. This is set to continue into Q3, with a robust deal pipeline - including the £400m leaf living portfolio, acquired by Border to Coast Pension Partnership.

An emerging structural trend in the investment market is the profile of sellers We are seeing increasing amounts of early entrants such as L&Q and Blackstone disposing of their stablised portfolios to long term institutional capital. This is providing clear pricing evidence for the market and increasing liquidity in the space. We expect to see recycling of more BTR stock from early investors through the back half of the year.

Dry powder targeting BTR continues to build, a good example being GreyStar's latest Pan-European Residential fund, which closed at over £2.3bn in June.

BTR YIELDS

Pricing moved out across the living segments during Q2, driven by elevated gilt yields rather than by any weakening in investor sentiment. The positive rental growth and elevating gap between demand and supply should help sentiment through H2.

Prime London BTR shifted 25 basis points to 4.50%, with Greater London at 4.75% and prime regional at 5.00%, leaving prime London 50 basis points wider than a year ago. Single family housing was the exception, unchanged at 4.25% in the South East and 4.75% regionally.

Q2 2026 KEY DEALS

Metra Living Portfolio

Buyer – MSREI & Ridgeback

Seller – L&Q

Price – c.£1.05 billion

Comment – The largest BTR transaction in London.

Elephant Park

Buyer – Greystar

Vendor – Lendlease + CPP

Price – c.£500mn

Comments – 904 BTR units

Sources: Cushman & Wakefield Research, RCA

MARKETBEAT
BUILD TO SELL
Q2 2026

CUSHMAN & WAKEFIELD

BTS MARKET FUNDAMENTALS

	YOY Chg	12-Month Forecast
1.79% UK annual house price growth	▼	▲
56,205 Mortgages approved	▼	—
98,700 Monthly transactions, Jun 2026	▲	—
208,000 Granted planning permission	▼	▲

ECONOMIC INDICATORS

	YOY Chg	12-Month Forecast
5.19% 2-year fixed mortgage 90% LTV	▲	▼
32.6% FTB mortgage payment as % take home pay	▼	—

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

BTS OVERVIEW

The build to sell market spent Q2 treading water at a higher cost of debt. Affordability, not appetite, remains the constraint: the rate on new 2-year mortgages climbed to 5.19% in June, and with the MPC holding at 3.75% on a 6–3 vote and gilts close to 5%, borrowing costs are unlikely to ease materially before year-end. Housebuilding output has held up better than the demand indicators imply, though an increasing share now depends on grant-funded affordable delivery rather than open-market sale.

DEMAND

Activity stabilised rather than deteriorated. HMRC recorded 98,700 residential transactions in June on a seasonally adjusted basis, marginally above May's 98,460 and 2% higher than June 2025 — halting two consecutive monthly falls. HMRC noted the annual increase likely reflects a genuine rise in underlying activity, since June 2025 was the first clean month after the stamp duty distortion. Mortgage approvals for house purchase rose to 58,200 in June from 56,600 in May, but remain below the six-month average of 61,400 and 10% down in June 2025.

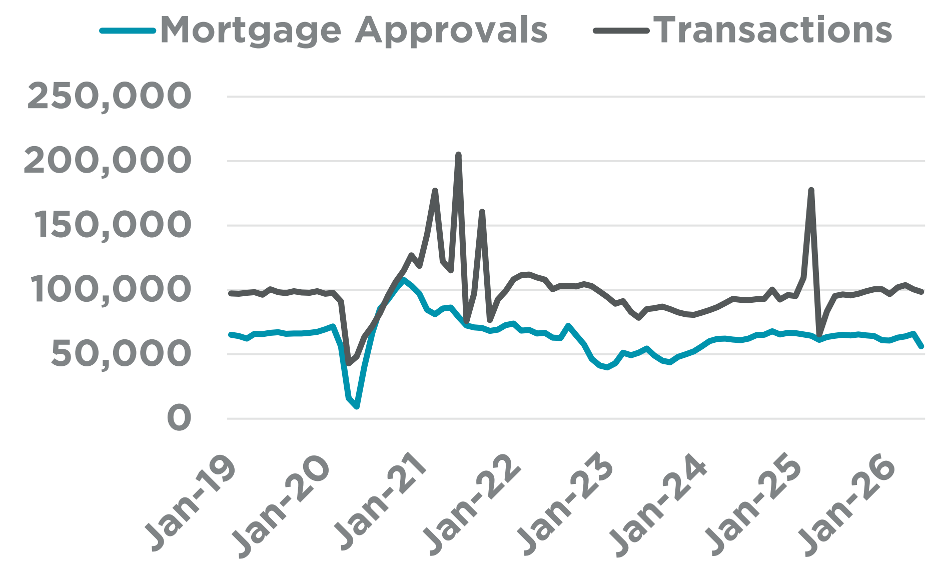
HOUSE PRICES

Annual house price growth picked up to 2.2% in June, from 1.7% in May, taking the average price to £278,784 (Nationwide). Prices were broadly flat month-on-month after seasonal adjustment, so the improvement in the annual rate reflects base effects more than renewed momentum.

PIPELINE

There were 33,960 seasonally adjusted starts in England in Q1 2026, down 9% on the previous quarter but 18% higher than Q1 2025, with 37,170 completions, up 1% on the quarter and 3% year-on-year. The longer-run picture is weaker: new build completions in the year to 31 March 2026 were estimated at 143,110, a 6% decrease on the previous year.

MORTGAGE APPROVALS & TRANSACTIONS



UK ANNUAL HOUSE PRICE GROWTH

MARKETBEAT

SPOTLIGHT: RESIDENTIAL DIVERSIFICATION BENEFITS

Q2 2026

CUSHMAN & WAKEFIELD

A DIFFERENT DEMAND DRIVER

A key benefit of allocating to the residential sector is it has a different demand driver to commercial real estate. Residential income is underpinned by wages and household formation rather than corporate occupier demand. When leasing markets soften in the office and logistics sectors, households still need a place of residence, and the structural undersupply of various rental housing tenures across the UK and Europe keeps occupancy high through the cycle. This distinct demand driver is what gives the sector its diversification value.

LOW CORRELATION BETWEEN RESIDENTIAL MARKETS

The diversification benefits compound when looking across residential markets and borders. Residential returns vary more from city to city than commercial returns do, and cross-border residential markets move largely independently of one another, so geographic spread within the sector adds a further layer of risk reduction. This is especially true between UK and continental European residential markets.

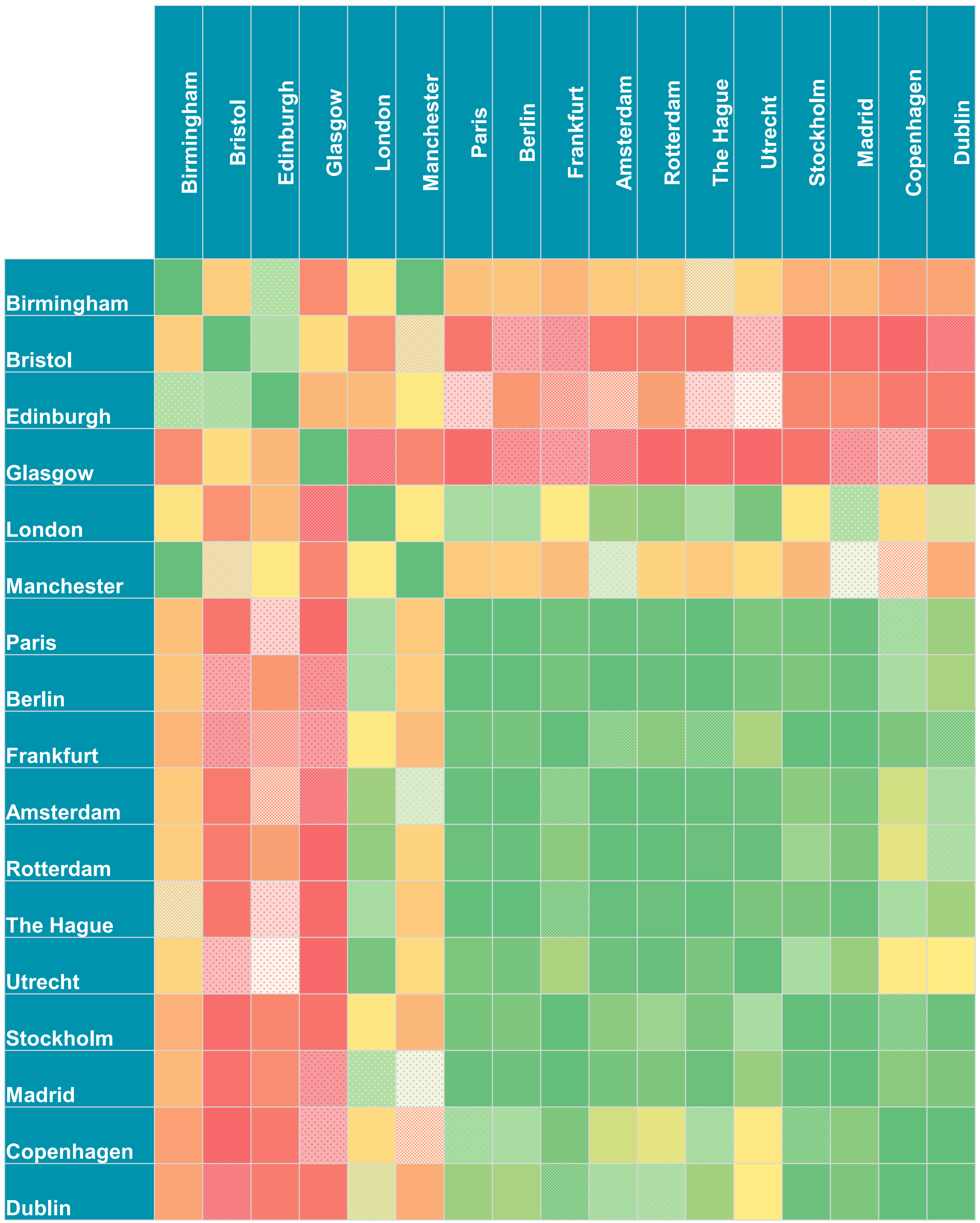
A STEADIER INCOME STREAM AND INFLATION HEDGE

Residential's income return is among the most stable in real estate. The tenant base is granular, so no single covenant dominates. Leases are short and reprice frequently, so rents track the market rather than lagging it. Occupancy holds up in downturns because the underlying need does not go away. Our exclusive sponsorship of the MSCI UK Residential index allows us to show these results clearly through the MSCI data. Residential has delivered the lowest return volatility of any major European sector over the full period since 2008, with markedly shallower drawdowns than offices, retail or industrial in the weakest years, and it has done so without sacrificing return. This in turn feeds into a superior risk-adjusted return relative commercial sectors, both in the UK and at a European level.

INVESTOR IMPLICATIONS

Residential allocation improves portfolio outcomes through two channels. A demand base that behaves differently from commercial occupier markets, and a less volatile return profile. For investors building exposure, the geographic dimension is as valuable as the sectoral one. Residential markets across borders behave far more independently than sectors within a single market, so international breadth within the sector is itself a source of diversification.

Correlations between European multi-family market returns*



*Correlation visualised on a sliding colour scale, Green represents a high correlation, red a low correlation.

Source: MSCI European index. Total returns between 2024 and 2026.

MARKETBEAT
LIVING
Q2 2026

JAMES DUNNE
Head of UK Living
James.Dunne@cushwake.com

RUSSELL HEFFERAN
Head of Student Accommodation Capital Markets
Russell.Hefferan@cushwake.com

ANTHONY DIXON
Head of Living Land & Development
Anthony.Dixon@cushwake.com

DAVID FEENEY
Head of Student Accommodation Consultancy
David.Feeney@cushwake.com

HIMANSHU WANI
Head of UK Living Research & Insight
Himanshu.Wani@cushwake.com