

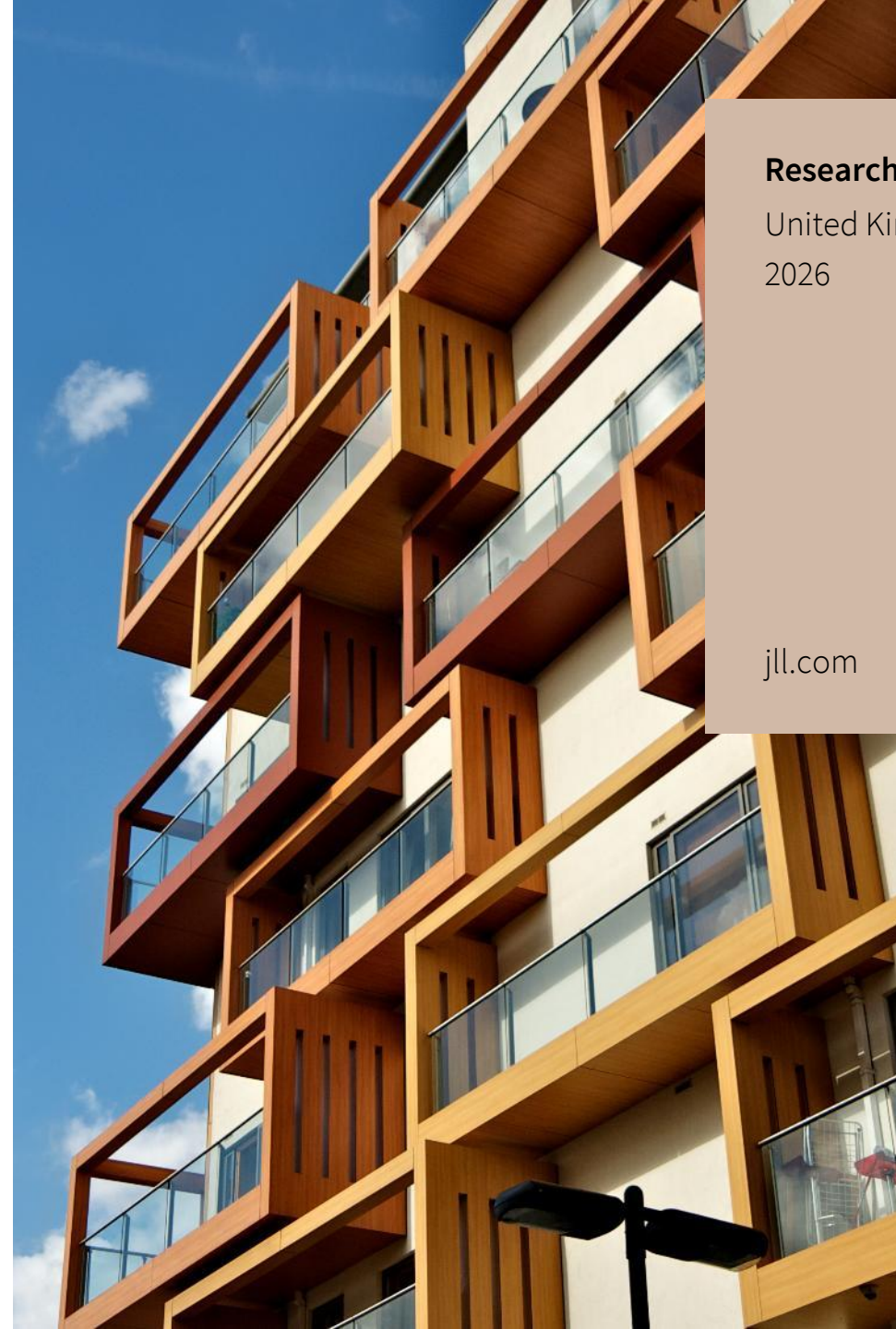
2026 UK Living Update and Outlook



Research

United Kingdom
2026

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Key trends – 2025

1

The recovery continues

- Total investment of £22.5bn reflected a 58% year-on-year increase. However, much of this came from large one-off care home portfolio transactions, the scale of which is unlikely to be repeated
- While BTR investment fell somewhat against 2024, student posted a 14% rise

2

A year of M&A

- A record 50% of Living investment came from entity deals in 2025, almost all of them care home acquisitions
- The largest of these were by US healthcare REIT Welltower, which acquired – among several other portfolios – two of the largest care home operators in the UK, Barchester Healthcare and HC-One

3

North American buyers set sights on Living

- Alongside the billions invested by Welltower, other US operators like CareTrust REIT and Omega also acquired UK care home portfolios
- Outside of healthcare, North American buyers were also active in the BTR market, accounting for the largest share of non-domestic investors in the sector

4

Conditions improve for development

- The Bank of England base rate came down 125bps in 2025, with a further two cuts on the cards for 2026
- The volatile economic backdrop, best characterised by tariff uncertainty in early 2025, has eased – but the risk of further shocks cannot be ruled out
- For Living, clarity on rental regulation in England and Scotland, alongside easing Gateway delays, will likely unlock pent-up activity

By the numbers

£22.5bn

UK living investment, 2025

+58%

Growth, y-o-y

237

Number of deals

£95m

Average deal size

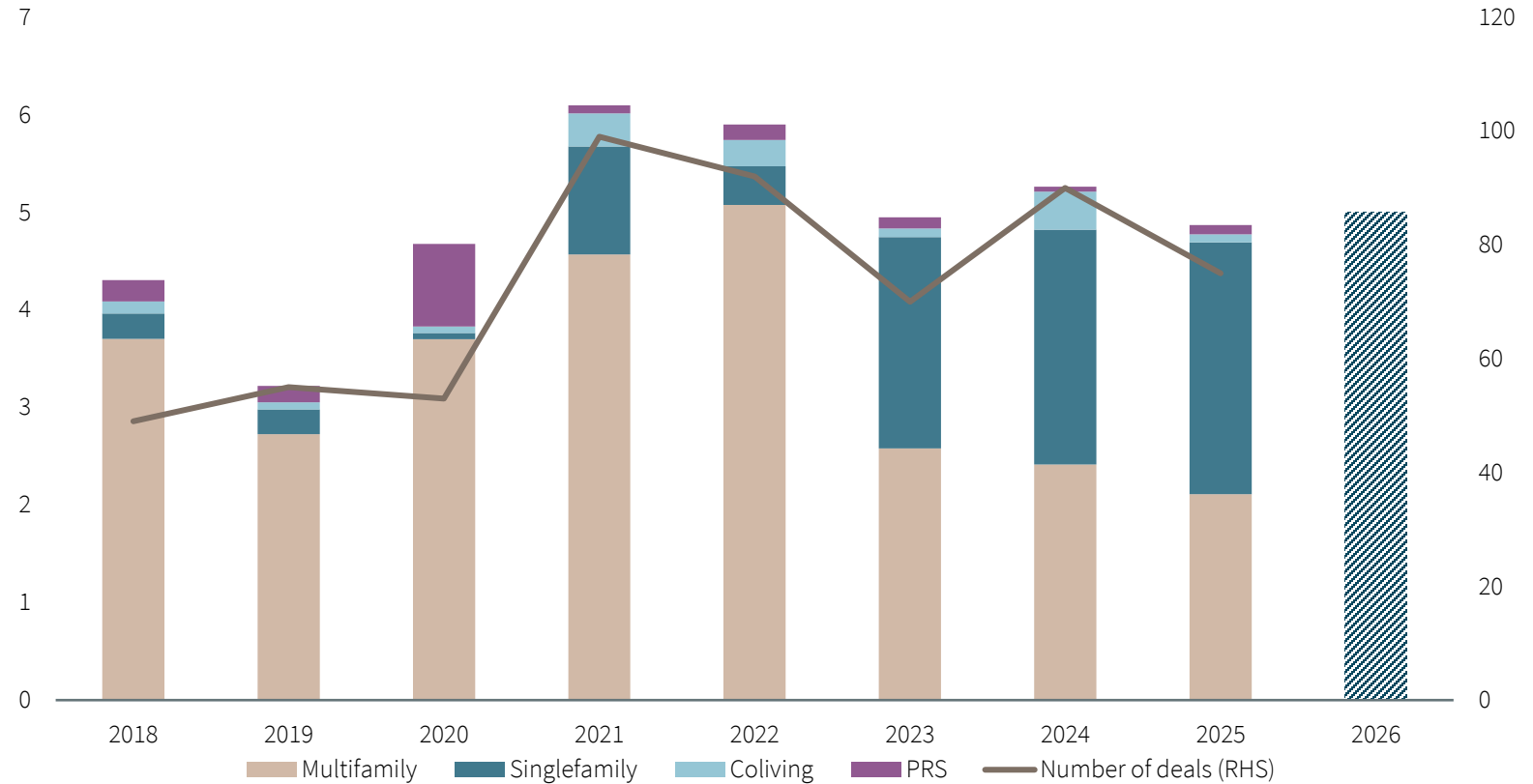
£5.2bn

Largest deal (Welltower's acquisition of Barchester Healthcare)

Build-to-Rent

- Investment totalled £4.9bn in 2025, down 7% against 2024 and 10% below the five-year average.
- Single family had another record year at £2.6bn, accounting for more than 50% of the BTR total for the first time on an annual basis. The £629m sale of PRS REIT, the largest BTR deal of the year and the largest single family deal on record, gave the sector a significant late Q4 boost.
- The slowdown in multifamily continued, with investment down 13%, year-on-year, at £2.1bn. Several significant operational assets traded in the first half of the year, but this part of the market slowed down at the end of the year with a number of deals pushed into 2026.
- About £2.8bn of assets were either forward funded or forward purchased, the first time since 2020 that the figure fell below £3bn, reflecting what was another year of challenging conditions for development.
- These figures exclude the sale of the Annington Homes portfolio to the Ministry of Defence. The deal – advised by JLL – would have added £6bn to the total.
- JLL forecasts £5bn of BTR investment in 2026

Build-to-Rent investment (£bn)

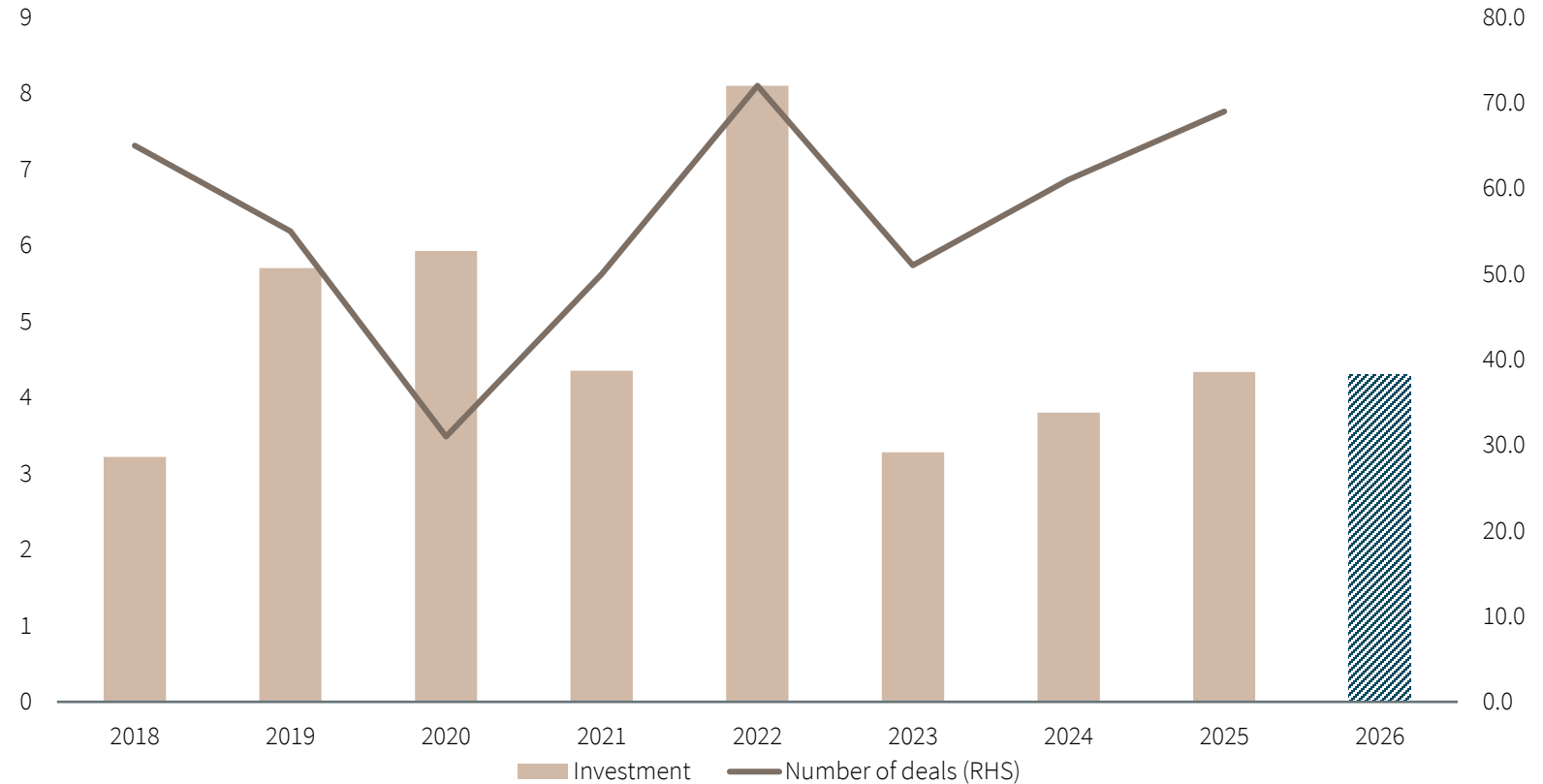


Source: JLL Research 2026

Student

- Despite an uncertain policy landscape (see page 7), the investment market continued its upward trajectory after a slowdown in 2023. Transactions totalled £4.3bn, rising 14% year-on-year.
- With 20% growth year-on-year, activity was particularly driven by operational assets, reflecting continued demand for the sector in a challenging environment for development.
- But there has also been an increase in investment in future assets – i.e., everything excluding operational assets and M&A. While forward funding itself fell below £1bn for the first time since 2022, the total rose to £1.7bn – up from a five-year average of £1.3bn.
- Value-add opportunities are driving investment more now than they have historically, with investors focused on higher returns.
- Assets in Russell Group university locations have taken a larger share of total volume as investment strategies become increasingly selective.
- JLL forecasts £4.3bn of student investment in 2026

Student investment (£bn)

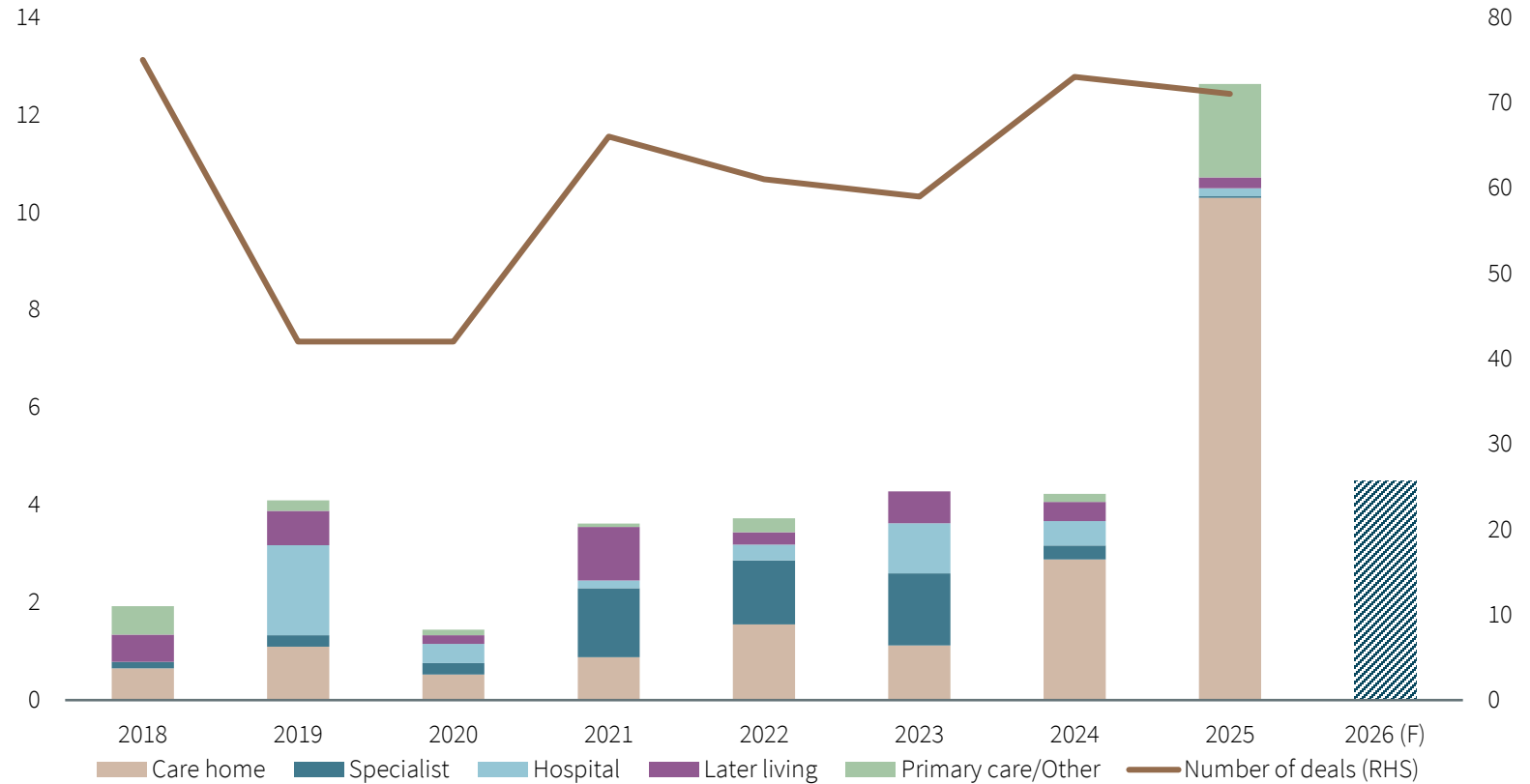


Source: JLL Research 2026

Healthcare

- UK Living investment was overwhelmingly focused on healthcare in 2025, with the sector accounting for 56% (£12.6bn) of total volume.
- Of that, £10bn completed in Q4 due to a flurry of major care home portfolio transactions, led by Welltower’s acquisitions of Barchester Healthcare and HC-One for a combined £6.4bn.
- US healthcare REITs, including Welltower and others such as Omega and CareTrust REIT, have been particularly active in the UK market. Trading at a strong premium to NAV, these companies have a low cost of capital, an incentive to invest and an advantage over competitors in the UK and Europe who are constrained by difficulties raising capital.
- The end of the year also saw the completion of PHP’s takeover of Assura, adding a further £1.8bn to the total.
- JLL forecasts £4.5bn of healthcare investment in 2025

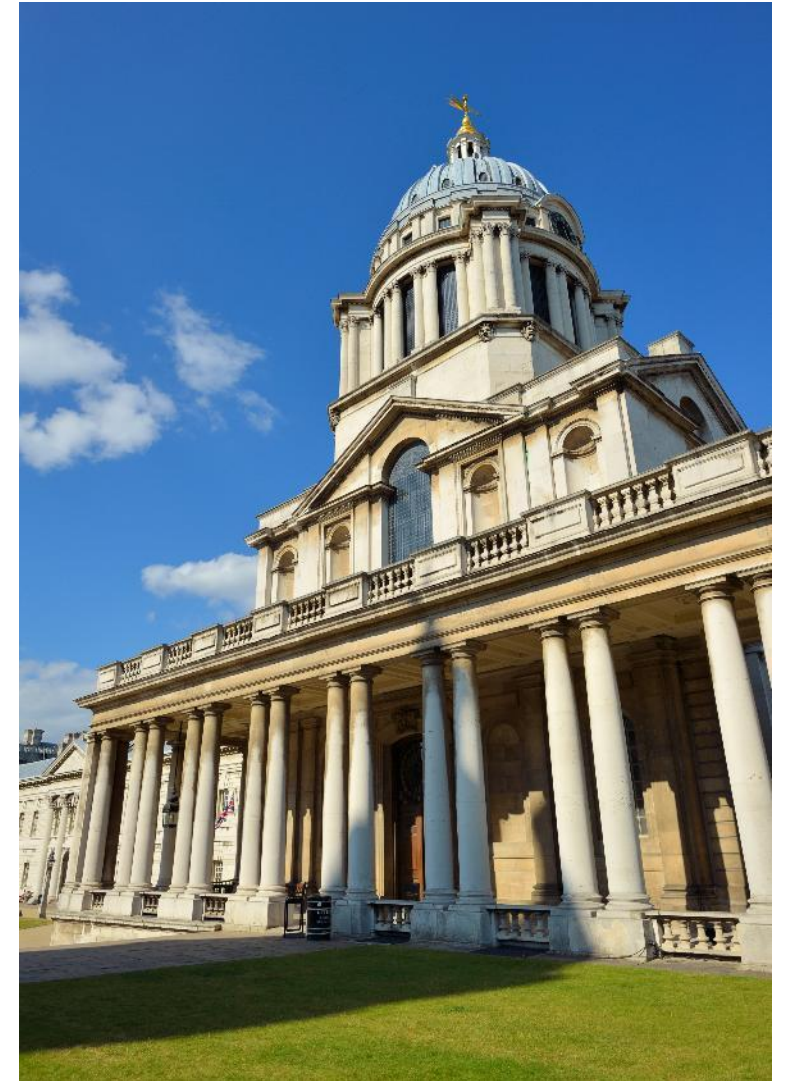
Healthcare investment (£bn)



Source: JLL Research 2026

Regulatory environment

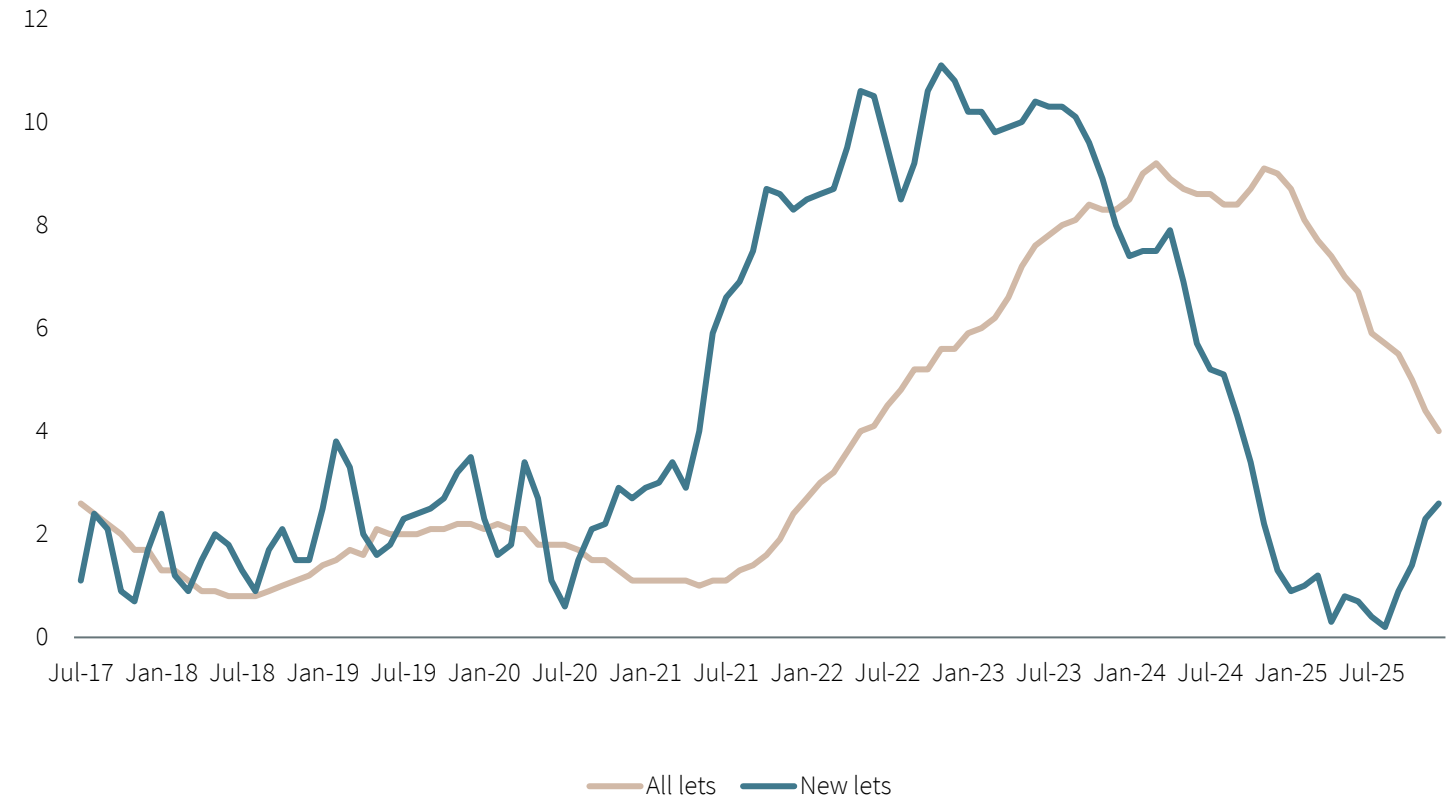
- Long-awaited clarity on rental reform both in England and Scotland arrived near the end of 2025, with both the **Renters' Rights Bill** and the **Scottish Housing Bill** becoming law. The former will introduce Assured Periodic Tenancies in England from May 2026. Most new and existing tenancies will become APTs. Section 21 no-fault evictions will be abolished and rent increases will be limited to once per year, with tenants given the power to challenge them at the Property Tribunal. The Scottish Housing Bill gives the government, acting on a local authority's recommendations, to designate 'rent control areas' where increases are capped at CPI+1%. These rent control zones are not permanent, with the Act requiring the government to revoke or vary the size of the zone if they are no longer necessary or proportionate. Crucially for UK Living, the Scottish government intends to exempt BTR from rent controls, but this exemption will need to be spelt out in secondary legislation this year.
- 2025 also saw further curtailing of **incentives for international students to study in the UK**. Following restrictions on students moving here with family members under the previous government, the current government has introduced a number of further limits. The Immigration White Paper proposed cutting the length of the graduate visa from 24 months to 18 months, introducing stricter visa compliance standards and placing a levy of £925 per international student on universities from 2028.
- Planning reform moved forward with a further revision to the **National Planning Policy Framework**. Some of the pro-development measures include a 'default yes' for homes built around stations, encouraging urban and suburban densification and a presumption in favour of development on 'suitable land'.
- The government also published its **Warm Homes Plan** in January 2026, which confirmed that properties will need to be EPC C or higher to be let from 2030 onward. There is also an ongoing consultation on new EPC standards, and the government intends to unveil the Future Homes Standard in Q1 2026. While these changes are coming soon, the Decent Homes Standard will not be implemented until 2035, with the government calculating that the cost of meeting the standard is £26.5bn in the PRS.



Rental market

- Normalisation has been the overarching trend in the rental market. After near-double digit growth going into 2025, rental growth eased to 4% by the end of the year.
- While overall rental growth continues to fall back to a historically normal level, new lets have already bottomed out and started to rise again. By the end of the year, London – where rents rose, and subsequently fell, fastest – growth was back above the UK average for the first time in nearly two years.
- Forecast rents will rise at marginally above wage growth over the next five years, with 15.9% growth between 2026 and 2030 nationally. A more settled outlook for inflation and wages means our expectations on rental growth are more muted than recent highs. However, this reflects a return to pre-pandemic norms rather than a fundamental shift in market dynamics.
- Rental growth is forecast to be marginally higher in London, with growth of 17% across Greater London and 16.5% in central London over the same period.

Annual rental growth, UK (%)

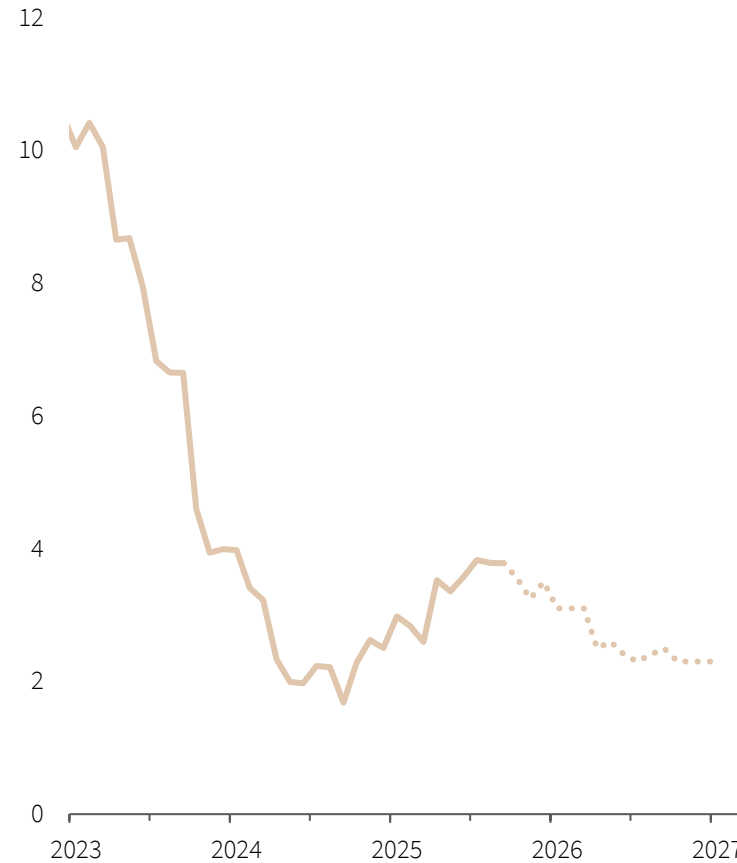


Source: ONS, Homelet, JLL Research 2026

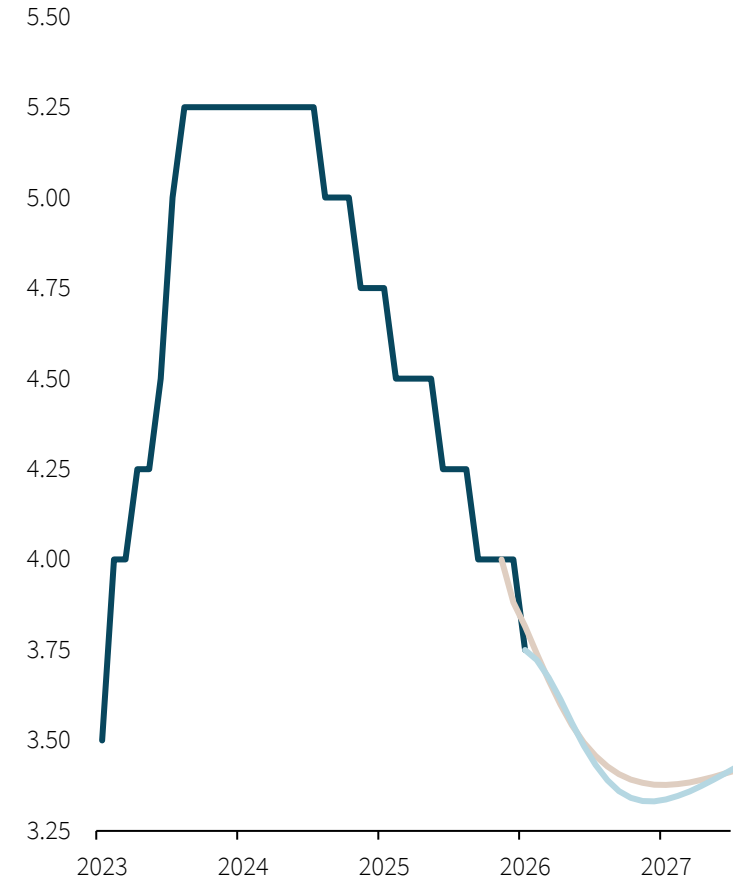
Economy

- Although inflation rose again in 2025, it is forecast to have peaked and is expected to remain contained. The current trajectory suggests that inflation will hit the Bank of England’s 2% target in early- to mid-2026.
- The Bank of England remains in the cutting phase: it cut the bank rate by 25bps to 3.75% in December, with financial markets pricing in up to two more cuts by the end of 2027. This means debt costs are expected to fall throughout the year.
- However, bond yields have remained elevated, exceeding levels in other global markets. Despite this, the outlook appears to be positive: yields are expected to fall back more significantly in the UK, dropping below comparator markets in 2027.
- Although the UK’s domestic backdrop can be described as middling-to-good, geopolitics is the cloud hanging over the outlook. US tariff policy isn’t settled (though adaptation is underway), while instability in many areas have the potential to have knock-on effects on the UK.

Consumer price inflation (%)



Bank of England base rate (%) and market forward view



Source: LSEG Workspace, using OIS forward rates; Consensus Economics

Outlook

- **Conditions to improve, but will volumes follow?** The economic outlook suggests that, all else being equal, development will be easier in 2026 than it was in 2025. We are also seeing delays from the Gateway building safety approval process start to ease after holding up projects across BTR and PBSA in recent years. The question is whether these improvements will show up in the numbers this year. Deals are taking longer to complete and, depending on when some of the large portfolios we are tracking close this year, a more buoyant environment might not be evident in the data until 2027.
- **Chasing higher returns:** Whether in the raft of care home deals we saw at the end of the year or the rise in value-add deals in the student market, there was clear activity among higher yielding assets in 2025. Some of that activity will certainly continue. In PBSA, for example, retrofitting older sites with a low rental base can be a useful strategy at a time when headline rental growth is moderating from historic highs. Given the age of much university stock, it's also crucial for maintaining the state of the country's student accommodation.
- **Gradual return of core capital:** On the other end of the spectrum, we expect core and core+ investors to make a comeback as some of the larger portfolios that have been out in the market complete and help establish yield benchmarks.
- **Affordability is the question and co-living is (one) answer:** Across Living, we have seen growth normalise as rents approach an affordability ceiling. At the same time, viability remains stretched in many places across the country. Although conditions are improving, the backdrop requires the sector (and planning authorities) to consider all the options that do stack up. One of these will have to be co-living. The sector has the potential to deliver much-needed homes for a portion of squeezed middle-income earners. And with housing targets hanging over the government, additional stock will be much sought after.



Research authors

Karl Tomusk

Associate, UK Living Research
Karl.Tomusk@jll.com

Marcus Dixon

Head of UK Living &
Residential Research
Marcus.Dixon@jll.com

To find out more about JLL services, contact:

Simon Scott

Lead Director, UK Living Capital Markets
Simon.Scott@jll.com

Huw Forrest

Head of Student Housing,
UK Living Capital Markets
Huw.Forrest@jll.com

Anthony Oldfield

Director, Healthcare Capital Markets
Anthony.Oldfield@jll.com

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