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Property
Week

Allocation Nation

– how uncertainty influences the capital
decisions of commercial property investors





Foreword



Daniel Abrahams
Real Estate Partner, Freeths

The trouble with improbable, unpredictable and highly disruptive macroeconomic events is that, like buses, they increasingly seem to arrive not one at a time but in packs. Over the past 20 years, those of us in commercial property have had to deal with what feels like more than our fair share of once-in-a-lifetime 'black swans', from the Global Financial Crisis and the climate crisis, to Covid and the war in Ukraine.

Add in the range of industry-level changes the sector is also negotiating, from sustainability and

regulation to evolving market and occupier demands, and it becomes crucial to understand how these multi-level challenges are shaping commercial property investors' thinking and strategy across the UK, particularly when it comes to capital allocation. Who is investing what, where are they investing it and what are their goals in doing so?

That's the motivation behind producing this report, which draws on insights from clients, investors, industry leaders and Freeths' specialists alike. We hope you will find it a thought-provoking, insightful and instructive read.

Is London still the capital of capital?



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From the Huguenots through the Windrush generation to the influx of footloose global talent and money in the early 2000s, for centuries London has been widely regarded as a safe haven for people and capital looking to improve their lot, escape geopolitical turmoil or both.

While the triple whammy of Covid, the war in Ukraine and the constantly shifting sands of domestic and international politics have dented that reputation in recent times, London's appeal as a relatively low-risk home for capital investment is back in the ascendant. Daniel Abrahams, partner at Freeths and a career specialist in commercial property in the capital, has heard this clearly.

“At MIPIM earlier this year, London was the bright spark in the conversations I was having. With everything that is going on in the world, investors are looking for safe havens, and consequently there is something of a spotlight on London once again. For a lot of people, it just feels less risky as a home for their longer-term investments.”

Safe haven?

There is top-line market data to support this view. When it comes to property investment decisions, London's global profile places it in a different orbit from the rest of the country, one where it competes more with rival international capitals than with regional domestic cities.

In the commercial property sector, some £10.7bn was invested in the capital in Q2 2026 according to recent data from Carter Jonas, with nearly half of that coming from overseas. That's around 35% of the UK's total annual investment, broadly in line with the five-year average for London of 34% of total commercial property investment volumes. It also underlines the fact that a city that occupies only around 1% of the UK's total land area accounts for over a third of its commercial property investments.

Alongside its reputation for relative safety and stability, London promises other big draws for major global investors – liquidity and scale. The size of deals and levels of activity attract the major Institutions with the deepest pockets. “We are working on some very sizeable London focused deals at the moment,” agrees Abrahams, including a large office development worth “several hundred million pounds”.

The city's popularity with international investors has created a virtuous circle of familiarity and confidence, he adds, that has contributed to a diverse and resilient investment landscape: figures from CBRE state that international buyers from more than 50 countries have accounted for 62% of all property sales in the capital since 2016, and the city consistently appears at or near the top of rankings for global property investment.

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Diverse and resilient landscape

In terms of sectors, the London office market – which suffered a significant dip in the post-Covid work from home era – looks to be enjoying something of a comeback as more large employers seek to either encourage or enforce their staff to spend more time together in the office.

This has led to a surge in demand for more and better-quality spaces. [Knight Frank data](#) finds that 70% of major new corporate office leases in the capital in 2025 were expansionary, leading to record rents and a 45% jump in investment to £9.3bn for the year, largely a result of institutional and sovereign wealth capital returning to the city.

Further signs of revitalised investor confidence include Barclays buying a 999-year lease on its Canary Wharf home for £750m in June, and JP Morgan's plan to build a £3bn, 3m sq ft London HQ in the same district.

Coming off the back of a period of stalled development, supply constraints in the office sector are also significant – vacancy rates in the City and West End for prime office space stood at 1.3% in Q2 2026 according to Avison Young.

"The return to the office caught people by surprise, and now there is a crunch. There's a lack of suitable space and that has helped the market from an investment point of view," says Abrahams. Lower-spec space is in much lower demand, as

reflected by a [6.3% overall vacancy rate](#) across the centre of London for the same period.

Not everything in the capital's garden is rosy, however. Construction costs remain high, as do interest rates, both of which are a brake on development. The state of the UK's public finances is also dampening the country's international appeal, says Simon Ringer, partner and head of property funds at Bridges Fund Management. "I think London is still a safe haven, but I can't see many investors looking at the UK and thinking that the economic picture here is fantastic, particularly if inflation persists."

And while global uncertainty may make London feel safe in relative terms, in absolute terms the levels of risk are clearly higher than they were a decade or so ago. "Deals are taking longer, clients are doing more due diligence and looking around corners, really trying to cover off every eventuality," says Abrahams. "There is a lack of real momentum in the market." Uncertainty around the new prime minister's attitude to the capital, and his government's approach to potential reforms such as Land Value Tax, are likely ongoing contributors to this overall sense of caution.

Lack of market momentum

Nevertheless, Abrahams remains broadly positive about the capital's prospects, citing a new tranche of first-time London investors such as Penta and KKCG from eastern Europe, seeking more and bigger deals than their domestic markets can provide. "They are clued-up, detail-focused and impressive," he says. "I think they are going to be here for a long time and do very well."

There is no shortage of capital looking to allocate in London commercial property, and plenty of belief that the capital's investment fundamentals remain sound. But there is a risk that without an uptick in deal flow, investors may struggle to find the volume of opportunities they are hoping for and ultimately look elsewhere. "The challenge for investors is to work out exactly where we are in the property cycle," concludes Abrahams. "There are always deals to be done, but I think we're in for more of the same before we will have the chance to get some of that momentum back into the market again."

The regional view



The regional view



Lucy Bradban
Partner, Freeths

“You can get more for your money, deal sizes are smaller allowing for more diversified portfolios and there is less competition for each deal because there aren’t 10 bidders fighting for every one

Like someone living in the shadow of a celebrity sibling, London may have the star quality, but it’s worth remembering that it’s the UK’s regional commercial property markets which account for the majority of total investment, around two-thirds annually for the past five years according to [Carter Jonas data](#).

For those who are prepared to look beyond the glitz and glamour, there are many advantages to investing outside the M25. “You can get more for your money, deal sizes are smaller allowing for more diversified portfolios and there is less competition for each deal because there aren’t 10 bidders fighting for every one,” says Lucy Bradban, real estate partner at Freeths and based in Milton Keynes.

More for your money

The investor profile in the regions is also diverse, Bradban adds, ranging from high-net-worth individuals and family offices, through to local and regional corporate investors, with some institutional investors at the top of the market.

What international money there is tends to focus on specific hotspots and on certain types of opportunity. “They are picking the regional hubs that are effectively ‘little London’ – cities like Manchester and Leeds where they can see return on their investment,” says Bradban.

One thing that unites capital and counties alike, however, is a prevailing air of caution. “Deals are still being done but people are being very selective about where they put their money,” she says.

Liquidity is a particular concern, and investors are looking increasingly closely at exit strategies before committing. Many are shortening their investment horizons, working on a three-to-five year turn rather than five-to-10 years.

Tighter timelines also influence the types of opportunities that investors favour, with high-quality, market-ready assets preferred over riskier ‘fixer-uppers’ that will require upfront investment and take longer to show a return. “People are perhaps not holding for quite as long as they did. They don’t want to buy a headache that is going to cost them money in future.”

Shortening investment horizons

That caution extends to tenants too: who are they, and will they stick around? Voids are a real concern, especially in areas where A grade occupiers may not be thick on the ground.

“There is a regional nervousness around occupiers among some investors,” says Bradban. “If an anchor tenant leaves, the anxiety is that they might not be able to replace them as quickly as they would in London or Manchester.” The one situation that no investor

The regional view

wants to get into is having to swallow a cut in their rental income while still having to service the debt on a financed deal.

Nevertheless, transformational deals are still being done. Take the planned Universal UK Resort complex, an enormous movie and TV theme park set to occupy a 476-acre site a few miles south of Bedford. Its backers predict it will create 28,000 jobs and attract 8.5m visitors in its first year of operation. Optimistically scheduled to open as early as 2031, it has the potential to put Bedfordshire – an area previously known chiefly in property circles as favoured spot for Industrial & Logistics investors – at the epicentre of an entire new international leisure and tourism hub.

It was granted full government backing in late 2025 and ironically many of the factors that make the area a popular I&L destination also work in its favour as a leisure one – there is good land availability, half the UK population live within two hours' travel time and it's less than an hour away from central London. "It will bring huge amounts of inward investment and fundamentally change the area. It's going to be fascinating to see that come alive," says Bradban, adding that interest in potential hotel sites in the area is already growing.

Such mega projects, while a clear sign of confidence, are an exception to the general rule that the economics of ground up

development in the regions are challenging.

Cost inflation can threaten the viability of deals that might take a year or more to get over the line, says Bradban, counselling that sellers sometimes must be pragmatic on price to keep deals on track. One recent I&L sale she advised on involved a cut of £250,000 on the sale price, after 18 months of planning delays resulted in the buyer's projected costs rising significantly. "It was painful, but it was still the best deal available. We were of the view that if it had gone back to the market, it wouldn't have achieved the price that we were selling it at [after the cut] anyway."

The flipside to such development challenges is that a shortage of supply is driving up returns elsewhere. Out of town retail remains a bright spot for regional investment, with low vacancy rates and rising rents thanks in no small part to that constrained supply.

The Spring 2026 Real Estate: UK 'survey of surveys' [UK Consensus Forecasts](#) report predicts total returns from the retail warehouse sector of 8% over the next five years, among the highest figures for any commercial property sector. There are also deals to be done in some regional office markets, says Simon Ringer, partner and head of property funds at Bridges Fund Management.

Ringer confirms that the fund is considering a return to selected UK office markets for the first

time in a number of years. "We haven't bought an office building for probably eight years, but we've recently been running a slide rule pretty closely over a couple of things in Bristol and Birmingham," he says, because the cost of acquiring suitable existing space is now so much less than the cost of building from scratch. "That creates opportunities in places where you can buy something for £80 per sq ft that would cost £400 per sq ft to build." At those prices, and with prime office vacancy rates in Bristol for example down around 3%, refurbishing and re-letting can present viable opportunities in the current market.

How politics is influencing sentiment

One other potential shot in the arm for the regions is the latest occupant of Number 10, Andy Burnham. While there can be little doubt of the former mayor of Manchester's commitment to his adopted home city, his impact on the regional property market is not yet entirely clear.

"Some regional investors certainly might feel more comfortable with him in situ," says Bradban, but equally talk of tax breaks for the leisure and pubs sectors has others worried that these incentives might be funded by tax rises in lower profile sectors such as I&L. The new PM has also expressed support for reforms such as a Land Value Tax in the past.

The regional view

One thing that would be welcome is a bit more certainty. "But I think everyone in real estate would like a bit more stability, and a prime minister who lasts more than a few months – the political uncertainty of the last few years has just made investors feel nervous."

Despite this, there are signs that the fundamental strengths of key regional markets are reasserting themselves in the allocation plans of regional investors. "Lender

appetite is returning, especially in the best performing regional cities. And deal volumes are rising. The investors we work with are confident about the property market. They may not be as confident that they will make money as quickly as they sometimes have in the past, but they still see property as a key part of their diversified portfolios."



The investor perspective

The investor perspective



Simon Ringer
Head of Property Funds,
Bridges Fund Management

“We try to think outside the box, research new markets where we can make an impact, and then invest early. You get the greatest returns from investing early, but it does bring risk

It's often said that the one thing investors value most is certainty, but that is a commodity which has been in increasingly short supply in recent years, especially at the macroeconomic level. Interest rates, inflation, turbulent geopolitics and rapid changes in demand in traditionally stable occupancy markets have all contributed to a challenging few years in which to be a property investor.

“What's happened at the macro level, from Covid to Ukraine to inflation, has a much bigger impact than the decisions we make at a micro level: which sectors, which deals, what pricing,” says Bridges' Ringer.

All that volatility creates a double whammy that complicates both investment decisions on the one side and raising capital to invest on the other. “Fundraising is as hard now as it was when I joined in 2008, at around the time of the Global Financial Crisis.”

The unstable environment has also weakened returns on many property investments relative to other asset classes, resulting in greater competition for capital from the likes of equities and commodities. Ringer says that while the precise numbers vary depending on who you ask, typical returns on institutional property portfolios have “probably been running at about 5% for the past five years. Is that an attractive return against the FTSE, S&P, gold and so on? To be

honest, no. We have seen a number of major pension funds withdraw from real estate.”

Growing competition for capital

Nevertheless, there is still capital out there for the right property offer. In January, Bridges closed its latest fundraise, Property Alternatives Fund VI, with commitments of £440m, £40m more than the target sum.

As in any competitive market, success requires a combination of a clear proposition and compelling performance. Bridges is an impact investment fund targeting social and environmental investments that deliver returns of 15 to 20% IRR, a figure that means spotting and exploiting emerging opportunities before they hit the mainstream.

“We are not a core investor. We don't buy buildings and just collect the rent. There is no impact there and the returns tend to be low. We try to think outside the box, research new markets where we can make an impact, and then invest early. You get the greatest returns from investing early, but it can bring risk.”

Current projects include a £70m low-carbon industrial scheme in Warwickshire, a 50-bed rehabilitation centre in Richmond upon Thames to boost post-operative recovery for orthopaedic patients and a 209-unit lower-cost co-living housing scheme in Hammersmith. In January,

The investor perspective

Bridges also announced its first London hotel deal, in conjunction with Citygrove, for a 185-room aparthotel in Nine Elms, near the new US Embassy. Pre-let to aparthotel operator Staycity on a 30-year lease, the build is due to complete in 2028.

Sustainable priorities

Ringer says investors judge funds like Bridges largely on their people, credentials and track record:

"We've done 100 acquisitions since I started at Bridges and we've delivered robust returns. We've got a tight team who have worked together for a long time."

Bridges can also back up its sustainability claims with Article 9 accreditation under the EU's Sustainable Finance Disclosure Regulation. These so-called Deep Green funds must be able to prove that 100% of investments contribute to environmental or social goals, while also doing no significant harm.

When it comes to allocation, the fund focuses on a number of impact areas including low-carbon logistics, sustainable housing and healthcare. But there are no specific targets in terms of sector or asset type. Every deal is assessed on its own merits.

"We are open-minded about the types of deals we do. We don't sit down on 1 January and say: 'Here's our asset allocation. This is what we're going to do,'" says Ringer. If a deal can deliver the required impact and targeted return, it's a solid proposition. "We've never once said, 'We'll do this deal because the impact is high, but there's a negative effect on the return'. We believe that financial performance and delivery of impact go hand in hand."

Demand-led opportunities

In the current challenging market, investors may find that following the fundamentals of demand provide a guide to where the most resilient opportunities lie.

"There is a lot of talk in the market about more money going into living, which in simple terms is where people sleep at night – multifamily, single family, affordable housing, co-living, PBSA," says Ringer. "I think institutions have woken up to the fact that living is incredibly resilient. You could argue that no one needs a shop or an office, but they do need somewhere to sleep."

In terms of capital allocation, so long as that wider uncertainty remains, keeping a close eye on the bigger picture will remain central to allocation strategies. "If we put money into something, how do we get it out?" says Ringer. "How much institutional money is coming back into the market? What's happening to gilts rates and construction costs? For me it's still more about liquidity and the macro piece."



Making your next real estate decision deliver

While uncertainty remains a defining feature of today's market, one theme emerged consistently from our discussions: capital has not disappeared, it has become more selective. Investors continue to seek opportunities capable of delivering resilient income, long-term value and clear routes to exit, regardless of location. Understanding where the capital is flowing, and why, has never been more important.

At Freeths, our national real estate team works alongside investors, developers, occupiers and public bodies across the UK,

helping them to navigate changing market conditions and identify opportunities in an increasingly competitive environment.

We are proud to be a progressive business: Freeths IMPACT is our responsible business mission to make a positive difference across colleagues, communities, climate and clients. We are committed to achieving net zero by 2040, and our registered B Corp status further underpins our dedication to environmental and social impact, transparency and governance. Freeths is one of only 27 UK law firms listed in the Legal 500 Green Guide.

For more details of our environmental and social commitments, or to discuss any of the themes explored in this report, please get in touch with [Daniel Abrahams](#) or [Lucy Bradban](#).

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