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Real Estate Outlook 2026

Introduction

Happy New Year!

2025 marked a turning point for UK real estate, with clear signs of optimism and gradual recovery across prime office, industrial, and logistics sectors. While build-to-rent investment gained traction and alternative sectors such as data centres and life sciences continued to attract capital, recovery remained uneven due to persistent fiscal pressures, political uncertainty, and evolving regulatory requirements. The construction sector continued to face ongoing insolvencies and capacity constraints, further compounded by the challenges introduced by the Building Safety Act 2022 (BSA). December saw a notable surge in deal activity as investors and developers sought to capitalise on year-end opportunities — reflecting renewed confidence and setting a positive tone for 2026.

Looking ahead, the market's trajectory will be shaped by the ability to manage rising costs, adapt to new regulations such as the Building Safety Levy, secure financing on suitable terms and get projects through planning.

This review draws on insights from all corners of our real estate practice to highlight the key trends and opportunities that will define UK real estate in 2026.

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"Fieldfisher has often been at the forefront of interpreting and applying the law in innovative ways. In several cases, their advice has proven to be not only insightful but also ground-breaking"

- Chambers UK 2026

A selection of our articles

English Devolution and Community Empowerment Bill – the future for lease rent reviews?

Pre-emptive site protection injunctions: Preparing for protest

Supreme Court dismisses URS Corp appeal in BDW Trading Ltd case

Developers won't escape remediation contribution orders under the Building Safety Act 2022

Penalty clauses and default interest — insights from Houssein v London Credit Ltd

Interpretation of Insurance Policies — NHBC v Peabody Trust [2025] EWCA Civ 932

Home Truths: Summary judgment refused as owner's defence had real prospects of success

London Eco Homes Ltd v Raise Now Ealing Ltd [2025] EWHC 1505 (TCC)

Transactional

Our Real Estate Transactional Team expect 2026 to be a year of measured activity as the market adjusts to the lowest interest rates since 2022 with further falls predicted for 2026. Investors and developers are likely to focus on assets with stable income streams, operational efficiency, and compliance with ESG requirements. Overall, quality, sustainability, and long-term performance will continue to influence investment decisions.

Living

The Living sector remains a major area of activity. Build-to-rent, student accommodation, and co-living developments continue to see strong demand due to housing undersupply and demographic trends. Our clients in this area are increasingly delivering schemes that include social value, community-focused design, and sustainable features. Planning changes, housing policy updates, and infrastructure investment are likely to affect delivery and project timelines over the coming year.

Hospitality

The hotel and leisure markets are recovering as international travel and domestic tourism demand strengthen. However, operators face challenges including rising operational costs, staffing pressures, and environmental compliance requirements. Across both the Living and Hotel sectors, success will depend on balancing investment returns with regulatory compliance and operational efficiency, while continuing to meet tenant and consumer expectations.

Housebuilders / Developers

2026 will see the introduction of the Building Safety Levy, a tax aimed at funding remediation of unsafe buildings. The levy has a wide scope and will capture both new and increased residential floorspace. The introduction of the levy poses a challenge for developers as they tackle other rising costs and places marginal projects at risk.

The levy provides a discount of 50% for previously developed land due to the higher costs of development typically associated with brownfield land. Therefore, we may see a rise in demand for brownfield sites as developers seek to reduce their levy liability. However, the extent to which demand will translate into actual delivery will depend on the construction sector's ability to overcome persistent challenges—including high insolvency rates and capacity constraints set against an-ever demanding legislative backdrop, which continue to limit the pace and scale of new development.

AI and Tech

All real estate sectors will undoubtedly be impacted in 2026 by AI. The logistics sector is transforming as automation and AI take a prominent role in reshaping warehouse operations and boosting efficiency through third-party logistics providers. AI and tech is being embedded across the sector resulting in practices such as route optimisation, predictive delivery systems and autonomous vehicles enhancing productivity.

We are advising clients who are using real estate opportunities as a chance to invest in tech innovations. For example, we have seen investment in pilotless aircraft taxis being scoped alongside major infrastructure acquisitions, demonstrating how developers increasingly embed tech-enabled use-cases in real asset strategies.

Birmingham is a leading tech city in the UK, so we can expect to see more tech focussed startups and growing companies looking for office space in the city, driving up demand for prime office, mixed-use and residential development.

ESG / Sustainability

The culture of hybrid-working continues, however, demand is also high for prime office space in attractive city centre locations, offering strong ESG credentials. There will continue to be a trend away from traditional desk-heavy layouts to more collaborative and open spaces, including use of flexible shared offices. We are a living example of this, with Fieldfisher's Birmingham team, currently using of a city centre hub at 'Cubo' pending our move to a more permanent home at the impressive 2 Chamberlain Square.

Investment and corporate occupier clients are increasingly under pressure to align their buildings and office space with wider carbon neutral initiatives. We will continue to see a demand for low carbon and energy efficient offices, but also more refits from existing old stock.

Planning

The Planning and Infrastructure Bill (2025) is set to dominate the planning landscape in 2026, ushering in the most significant reforms to housing and infrastructure delivery in recent years. This centrepiece legislation accelerates approvals for major projects, restores mandatory housing targets, and empowers local authorities with new land assembly and fee-setting powers. Fast-tracking for Nationally Significant Infrastructure Projects (NSIPs), streamlined plan-making, and the introduction of 'grey belt' land for development all aim to unlock growth and address the UK's chronic housing shortage. Additional measures include modernising committee processes, reducing legal challenges, and investing in planning resources.

Updates to the National Planning Policy Framework restore mandatory housing targets and introduce the 'grey belt' concept, enabling development on select green belt land under strict conditions. Local plan-making reforms compress timelines and revive strategic planning, while the introduction of National Development Management Policies aims to standardise decision-making nationally. The reforms also align with Clean Power 2030, supporting renewable energy and grid upgrades.

While these changes are designed to tackle systemic delays and unlock growth, they present trade-offs between speed, democratic accountability, and environmental sustainability. Success will depend on effective resourcing, clear guidance, and the ability to balance competing priorities.

Announced on 16 December, the UK government's latest planning proposals present significant opportunities for developers and investors. With a presumption in favour of housing near transport hubs and urban densification, alongside streamlined rules for medium-sized sites and cost-saving exemptions for SMEs, the reforms aim to unlock prime development land and accelerate project timelines. Reduced regulatory burdens, combined with clear national guidance, are expected to boost confidence in the market and create a more predictable environment for investment, while biodiversity measures ensure sustainability remains part of the growth agenda. Watch this space.

"Their guidance, in-depth knowledge and pragmatic approach are invaluable."

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Energy

In 2025 our Energy team saw a significant increase in the Nationally Significant Infrastructure Projects **("NSIPs")** -particularly those concerned with electricity and electricity storage - but also hydrogen and carbon capture. NSIPs have a separate fast-track consenting regime under the Planning Act 2008. This process is set to shortly be made even faster and simpler when the Planning and Infrastructure Bill comes into force (which will cut consultation time and duties for the Applicants).

This will mean a significant increase of power related Development Consent Orders (**"DCO's"**) (e.g. solar, battery storage and grid upgrades) which in turn will result in greater conflict between the promoters of a DCO and landowners/ developers in respect of land use and compensation. Given the pressure on development land, the battle of competing infrastructure projects is set to ramp up further in 2026.

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Real Estate Finance

The REF market in 2025 continued to be functional and varied, with a wide range of lending products available from a wide variety of lender types across the across different asset types and value points. The widespread availability of affordable debt has meant that distress levels have continued to be low. Competition for business from strong sponsors with good product continued to intensify meaning that margins and incentives have become ever more attractive to the right borrowers. Back leverage and syndication have also become more commonplace which enables lenders to free up balance sheet/lending limits to meet demand.

The bridge lending market has continued to steam ahead with investors clearly attracted to the levels of risk adjusted returns achievable in the market. Bridge lenders are no longer lenders of last resort and play an important role in the way the REF market functions (particularly where there may be an underlying loan-to-own appetite!). We saw a number of large ticket bridge loans concluded to help borrowers transition from acquisition to development finance while Building Safety Act hoops are jumped through (particularly Gateway 2 clearance). The Building Safety Regulator is looking to add efficiencies to the approval processes to reduce the backlog so this might not continue too far into 2026.

Favoured asset classes have continued to be bed-related, but we have seen an increasing number of shopping centres and retail parks being financed now that sponsors have finally completed their redevelopment/reconfiguration/re-letting exercises and assets have stabilised. The same applies to secondary office assets which have been brought up to current occupier requirement standards.

For 2026 we are expecting more of the same. Most asset classes that have experienced pain in the recent past (particularly post-COVID) have now rebased themselves from a value perspective and are now ready for longer term financing (albeit at initially conservative LTV). We also anticipate that lenders will follow good quality sponsors abroad if that is where their quests for value takes them, particularly to jurisdictions which are more lender friendly from a security enforcement perspective.

Some are suggesting that 2026 might be the year when the PBSA market starts to show signs of more widespread saturation (which hitherto has been specific to particular cities) and both bifurcation of the market and tail off in the levels of demand that we have seen in the last ten years or so. We are not expecting any increase in distress levels unless there is a major geopolitical/macro economic event which destabilises the debt markets beyond a manageable level. We also anticipate that Gateway 2 backlogs should clear which will mean that residential development (and consequent development financing opportunities) should tick upwards.

Construction

2025 has been a Schrodinger's Cat year for the construction industry. It is as dead as it is alive and as pessimistic as it confident. The uncertainty which has dogged the UK market since the pandemic, and arguably before, is now a constant feature.

Main contract awards more than the £100 million mark have dropped by as much as 13%. As significantly, contracts which have managed to get over the line have failed to start. Insolvencies in the sector have been high and increased in the last year by more than 20%. Inevitably, increased rates of insolvency mean more worry for employers and take lenders away from the table.

While Government has shown no signs of moving away from its target of 1.5 million new homes being constructed before the end of this Parliament, the sector has neither the capacity nor the skills to deliver this aspiration. Into this headwind, we must recognise the additional uncertainty and risk introduced by enhanced building safety legislation. The 60,000 homes ordinarily under construction in the years before 2020, slowed to approximately 40,000 today and commentators think there is every chance that this figure will plummet to a staggeringly low 20,000 in 2027. Not all this decline can be attributed to delays linked to the slow process of sign–off for Gateway Two, but it is hard not to conclude that it is playing its part.

On a more optimistic note, public sector spending on education and health have driven some long-awaited return to growth. Coupled with the focus on infrastructure and decarbonisation projects recognised in the Spending Review and the inevitable build requirements created by the inevitable need for more data centres, the construction industry has hope for a less turbulent 2026 and beyond.

Real Estate Disputes

The UK real estate disputes landscape is set for an interesting and challenging year as legislative reform and evolving case law reshape risk profiles.

In the rights of light sphere, the case of *Cooper v Ludgate House Ltd* in July 2025 reconfirmed the "negotiating damages" method as the standard for calculating compensation, firmly linking awards to a share of development gains. This may drive up negotiation costs and insurance premiums, prompting developers to engage earlier with affected parties. As a result, urban schemes are likely to face longer timelines and higher risk pricing, making proactive risk management essential.

Telecoms disputes under the Electronic Communications Code will remain contentious as landlords seek possession for redevelopment against the backdrop of 5G and fibre rollout. Protracted litigation over termination rights and relocation obligations is expected to intensify.

The anticipated ban on upwards-only rent review clauses, announced without consultation or warning in July 2025, will be one to watch closely. We have been advising clients on this, together with imminent RPI reforms, in anticipation of these changes.

2026 will be another busy year in the Building Safety realm, where the Supreme Court will hear appeals in *Adriatic Land 5 Limited v. Long Leaseholders at Hippersley Point* [2025] EWCA Civ 856 and *Triathlon Homes LLP v. Stratford Village Partnership v. (1) Get Living Plc and (2) East Village Management Limited* [2025] EWCA Civ 846. Our team will be appearing on behalf of *Adriatic Land 5 Limited* for a final determination on the retrospectivity of the Building Safety Act 2022; namely the recoverability of historic service charges in a case that will have significant and far-reaching implications for landlords, tenants and developers alike.

"As well as being thorough and efficient, what distinguishes this team is their commerciality, accessibility and responsiveness."

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