RESEARCH

MARKET IN MINUTES

Savills Build: Perspective

Building & Project Management – November 2026

Global issues have, once again, impacted the UK construction sector. Whilst our index readings in 2026 have shown upward pressure on build costs and timescales the impact has not been as destabilising as first feared. Development viability remains the issue of the day and build costs are just part of the viability equation, but with inflation and financing costs trending upwards it is likely we will see a greater emphasis on refurbishment and value engineering strategies.

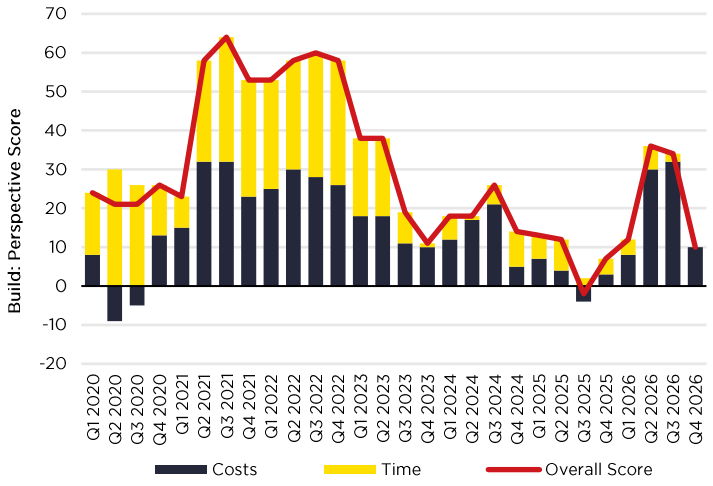
SIMON COLLETT

Executive Director – Head of Professional Services

Index heads back to trend but wider pressures remain

As with the last four years it is clear that any recovery that felt underway at the start of the year has once again been buffeted by global events. This correlates with the latest reading from the Savills Build: Perspective index, which, after falling negative at the back end of 2025 for the first time since our index began, rose sharply in 2026 to reach a score of 36. Looking forward, our index is showing an expected fall, suggesting the initial pressure on build costs and programme timescales has waned for the time being. For the construction sector, subdued economic growth, cautious investor sentiment and elevated financing costs continue to constrain project viability. Early Q3 data confirms this: total output increased by only 0.1% in July, with growth dependent on repair and maintenance, while new work declined by 0.4%. As winter sets in, we can expect energy prices to rise, which is already putting upward pressure on inflation and some input costs. Competitive tendering, however, is helping to contain some cost inflation as contractors accept lower margins. The overall picture remains one of cautious stability. Whilst the first Budget of the Burnham era did not rattle markets it hasn't paved the way for economic growth either. Combined with the Bank of England raising interest rates development viability will remain challenging for speculative development and likely place greater emphasis on refurbishment and value engineering strategies.

FIGURE 1: SAVILLS BUILD: PERSPECTIVE SCORE



Source: Savills Research

FIGURE 2: BUILD: PERSPECTIVE SECTOR BREAKDOWN

	New build & heavy refurb costs	New build & heavy refurb time	Occupier fit-out costs	Occupier fit-out time
Offices – Central London	⇔	⇔	⇔	⇔
Offices – Regional	⇔	⇔	⇔	⇔
Warehousing <100,000 sq ft	⇔	⇔	⇔	⇔
Warehousing 100,000 – 500,000 sq ft	⇔	⇔	⇔	⇔
Warehousing 500,000 sq ft +	⇔	⇔	⇔	⇔
Prime Residential – Central London	↑	⇔	↑	⇔
Rented Living – London	⇔	⇔	⇔	⇔
Rented Living – Regional	⇔	⇔	⇔	⇔
Foodstores	↑	⇔	↑	⇔
High St Retail	↑	⇔	↑	⇔
Out of Town Retail	↑	⇔	↑	⇔
Shopping Centre	⇔	⇔	⇔	⇔
Science - Laboratory	⇔	⇔	⇔	⇔
Education - Academic	⇔	⇔	⇔	⇔
Education - Commercial	⇔	⇔	⇔	⇔
Education - Other	⇔	⇔	⇔	⇔

Source: Savills Research

Methodology & Approach

Savills Building and Project Consultancy sector experts track build cost and programme timescales sentiment across 64 separate markets and sectors. A high Build: Perspective score would mean that most sectors are experiencing upward cost and timescale pressure whereas a highly negative score would suggest that most markets and sectors are experiencing downward pressure. A score around zero suggests that build costs and programme timescales are largely static.



99%

of business leaders say the office adds value to culture, collaboration and innovation

38%

of leaders can measure the impact on collaboration and culture

£ 25%

forecast increase in prime rents over five years

What occupier capital expenditure priorities mean for office delivery?



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With employees spending on average 3.6 days a week in the office, the workplace becomes increasingly important in creating value. It should help build culture and relationships, support collaboration and teamwork, and create conditions for innovation. The latest Savills and Core Net Global 'Measuring the Value of the Evolving Workplace Survey' reinforces these expectations, with 99% of business leaders saying that the office can add value across these three areas.

However, only 38% are highly confident that they could measure the impact. For executive leadership teams, they must decide where capital expenditure needs to be allocated to strengthen the workplace experience, while landlords and developers need to ensure that the space, infrastructure and flexibility to deliver amenities are considered from the outset.

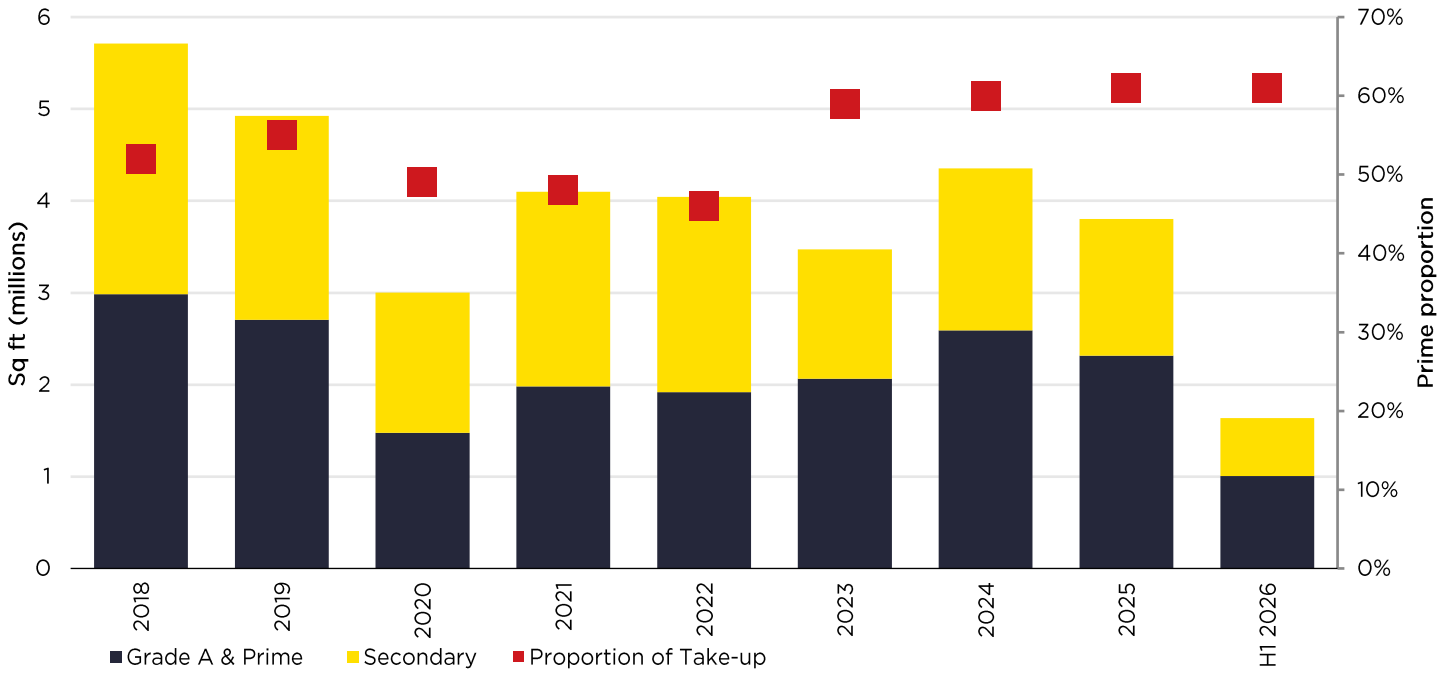
This presents an opportunity for landlords and developers to create an appealing culture within the building itself in order to retain and attract new tenants.

The challenge they face is that not all enhancements carry the same capital burden. Amenities such as breakout areas, bookable meeting rooms and town hall and theatre-style spaces require additional audio-visual technology and ventilation along with the physical space itself. Health and wellbeing facilities, including yoga studios and gyms, may also require power, drainage systems and other building services and take up what would otherwise be income-producing NIA. In comparison, branding and interior design and the latest generation of access controls can help to create a distinct identity at a more modest capital cost. Visible energy monitoring, recycling infrastructure and other occupier-facing ESG measures can be introduced through finishes, joinery or refurbishment. Operational initiatives such as hotel-style concierge, community apps, book clubs, run clubs and local business discounts sit outside the construction budget and can create a unique culture for the building.

This distinction is becoming more important as market conditions have reflected a shift towards premium space. Take-up across the Big Six reached 1.63 million sq ft in H1 2026, 4% below the H1 five-year average. However, Grade A and prime space accounted for 61% of activity, sitting 14% ahead of the five-year average. Prime vacancy stands at 1.9% against 10.7% for the wider market, while headline rents have reached £52 per sq ft in Birmingham and Bristol. This, combined with the fact that our Build: Perspective index points towards an increase in the cost of occupier fit-out and refurbishment across regional offices, places additional pressure on projects. With construction costs continuing to rise and occupier demand remaining firmly focused on the best-quality assets, landlords, developers and occupiers will need to be increasingly selective about which measures to allocate their capital expenditure towards.

The prize is that if landlords and developers can provide communal facilities and a unique culture within a building, while still maintaining viability, they can attract tenants who recognise the value in collaboration and culture and are willing to offset higher rents with reduced capital expenditure.

FIGURE 3: REGIONAL OFFICE TAKE-UP BY GRADE



Source: Savills Research

3.5%

Tender price inflation in 2026

18%

Proportion of future pipeline which is pre-let

94%

Grade A share of H1 26 take-up

The cost of building prime: record demand meets a thinning pipeline



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Despite global events, Central London demand has remained strong in 2026, with 2.4 million sq ft let across 192 deals. Although Q2 26 take-up was 13% below Q2 2025, it was still 9% above the ten-year average – signalling occupier confidence in the sector and their expansion plans. In addition, Central London is clearly seeing a sustained preference for best-in-class assets as Grade A offices remain the most sought-after, having accounted for 94% of H1 take-up, leaving little doubt that specification, rather than availability alone, determines whether a scheme lets.

What is also clear is that this demand is being priced in. BREEAM Excellent and Outstanding buildings accounted for 65% of space leased in H1 and these buildings command rents 39% higher in the City and 49% higher in the West End than non-rated stock.

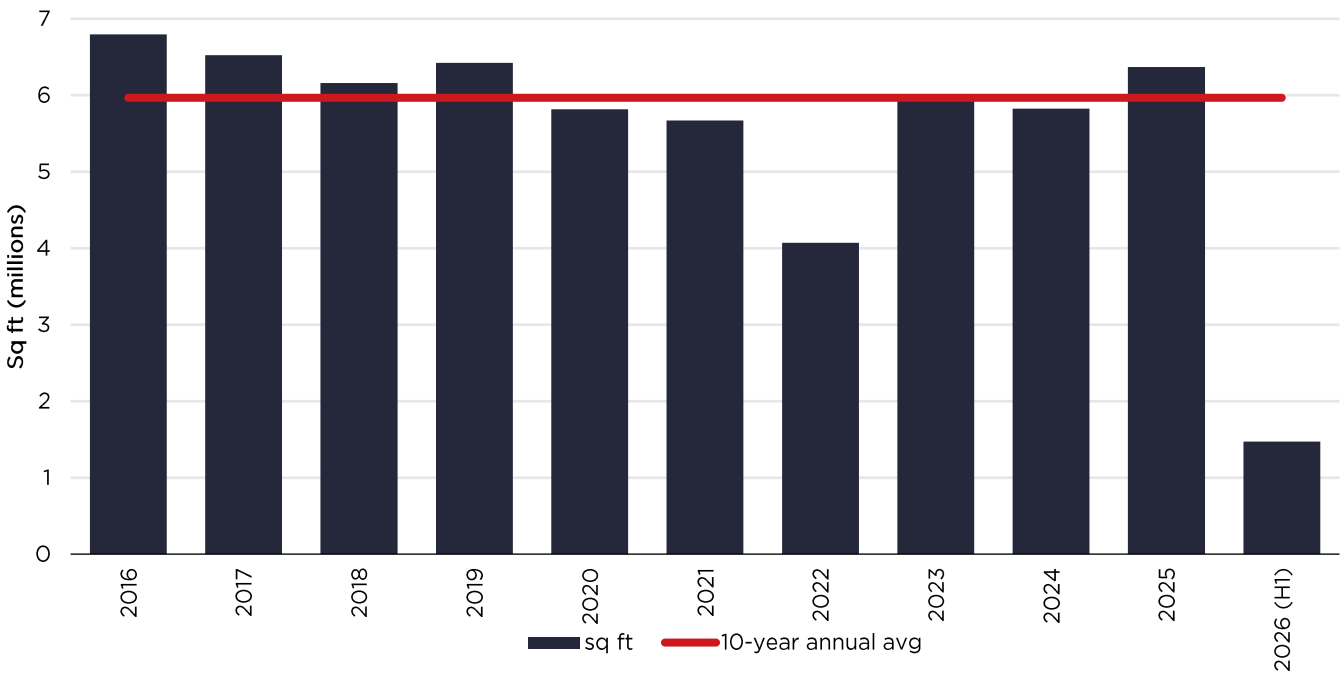
The premium is compounding against a market where rental growth continues to strengthen. City prime rents reached a record £116.73 per sq ft, up 19% year-on-year, and West End prime rents rose to £175.10 per sq ft, while City Grade A rents increased by 7% and West End Grade A rents passed £100 per sq ft for the first time. Grade B rents, by contrast, continue to decline as older buildings require significant investment to remain competitive, harming development viability further.

Development activity has continued in H1 2026, with 2.8 million sq ft of new space completed, 11% above the ten-year average, and total completions for the year forecast to reach a record 7.7 million sq ft. That volume would ordinarily loosen the market. It has not, as strong occupier demand has moderated the impact on available supply, with 35% of H2 deliveries already pre-let. With 16.1 million sq ft still under construction, near-term delivery remains substantial, and the willingness to build speculatively at this scale reflects genuine confidence in demand for prime office space.

That confidence contrasts sharply with a decline in new development starts, driven by construction cost inflation, labour and MEP shortages, tighter compliance requirements and geopolitical uncertainty. Around 22 million sq ft is expected to be completed by the end of 2029 across 148 schemes, although over a quarter of this future supply has yet to commence construction and remains at risk of delay or cancellation.

Pre-letting across the future pipeline stands at 18%, below historical averages, indicating that more planned space is still seeking occupier commitment. The market therefore presents a paradox: demand for prime space is proven, and rents are rising, yet the cost of delivering it is deferring the decisions needed to meet that demand. For developers able to budget realistically and carry genuine contingency, a thinning pipeline is as much an opportunity as a risk.

FIGURE 4: CENTRAL LONDON DEVELOPMENT STARTS ARE SET TO BE BELOW THE 10-YEAR AVERAGE



Source: Savills Research

24.1m sq ft
Take-up YTD in 2026

11.6m sq ft
Current speculative development pipeline

12.4%
Steel price increase in 2026

Extreme summer heat prompts discussion on future warehouse design



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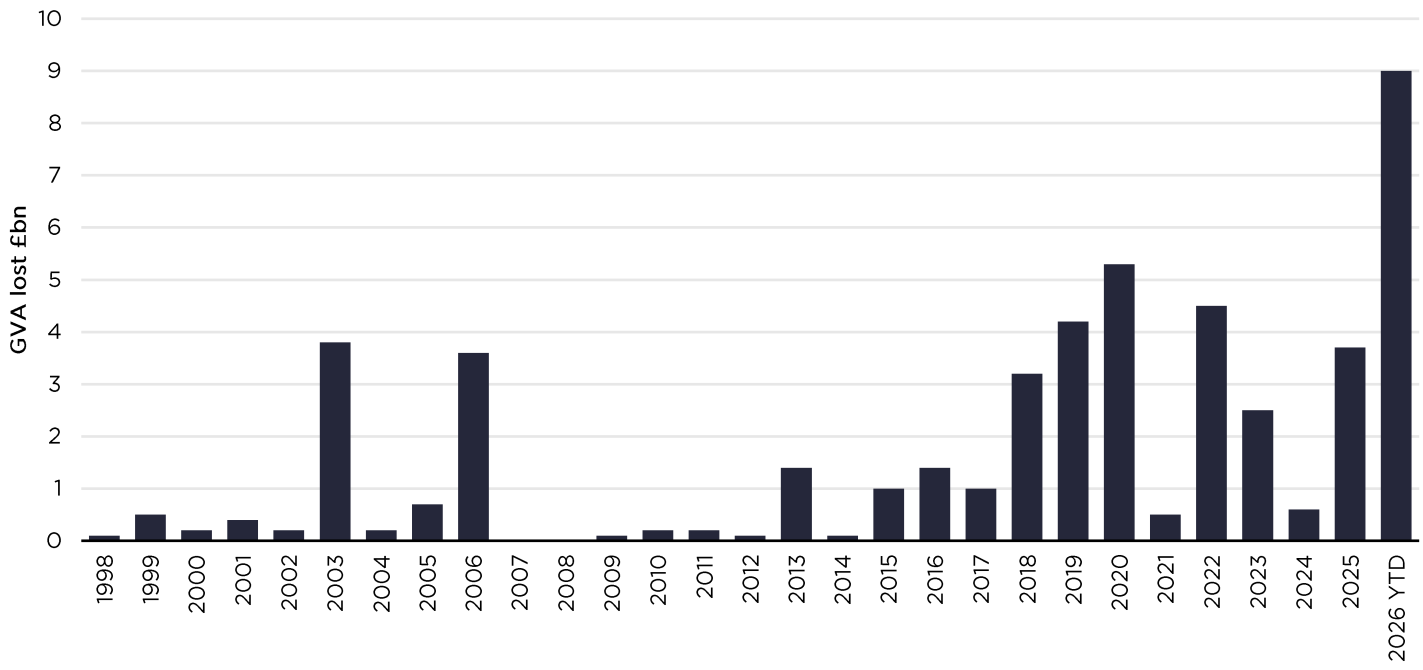
Despite continued geopolitical headwinds, the UK I&L market continues to perform well from an occupier demand perspective, with take-up reaching 24.1 million sq ft as we head into the fourth quarter. Whilst this is down from 2025, build-to-suit (BTS) deals, which would ordinarily bolster the numbers, have been hard to come by as occupiers and developers wrestle with viability challenges. A positive marker for the sector has been an unexpected uptick in the speculative pipeline. As we head into year-end, developers have 11.6 million sq ft of speculative space under construction, up 41% from the end of H1. However, the strong quarter-on-quarter rise masks the long-term trend of reduced speculative development, with current figures down 46% from a 2022 peak.

One factor impacting development viability is the price of materials and in particular the price of steel. UK steel tariffs came into force on the 1st July, which has helped contribute to a rise of c.13% in the price of steel over 12 months. We estimate that the warehouse building equates to over 40% of the construction value for a development site and of that 40%, 70% is the cost of the frame, wall and roof cladding, meaning that the overall cost of warehouse construction is particularly sensitive to the price of steel.

The lull in development activity may give developers time to consider future design plans as the industry considers how best to react to the extreme heat seen over the summer of 2026. Modelling from the Office for National Statistics (ONS) in 2024 suggests that on average £1.2 billion of productivity has been lost from the labour force as a result of hot weather. Traditional British "big box" specifications are optimised to keep warmth in, not to shed it. That thinking must now flex. Learning from hotter climates, UK specifications will increasingly borrow proven strategies: high-albedo "cool" roof coatings, deeper over-shading, orientation-led glazing, and thermal mass in slabs and dock walls to buffer peak-day temperatures.

Technology has a growing role. High-Volume, Low-Speed (HVLS) ceiling fans – of the type deployed at scale in US distribution centres – can reduce perceived temperatures by around 5°C for a fraction of the cost of full mechanical cooling. Automatically controlled roof vents harness the stack effect to purge hot air overnight, while dynamic (transpiration) wall cladding allows insulation performance to modulate with external conditions, drawing cooler air through the envelope rather than trapping heat. The challenge will sharpen further as automation intensifies. Automation and conveyors generate significant internal heat loads, and both people and machines have operational tipping points – lithium-ion batteries derate above roughly 35°C, and human picker productivity falls sharply beyond 30°C. With current electricity prices making active cooling an expensive option, the smart specification is passive-first: reflective roofs, natural ventilation, HVLS airflow and adaptive cladding, with mechanical cooling reserved for automation zones that truly need it.

FIGURE 5: ONS MODEL ILLUSTRATES HOW MUCH PRODUCTIVITY IS LOST TO HIGH TEMPERATURES



Source: 1998-2022 ONS, 2023-2026 Savills Research estimates using latest data
https://www.ons.gov.uk/methodology/methodologicalpublications/generalmethodology/onsworkingpaperseries/impactofhotdaysonproductivityingreatbritainmethodology

3.9%

Current out of town retail vacancy rate

30%

of shoppers use their phones inside a store to compare prices or look up details

0.5%

Latest month-on-month increase for retail sales volumes

“Phygital” retail: when the store becomes infrastructure



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The retail sector has spent over a decade being framed as a contest between online and offline. Whilst that framing has been passé for some time, new buzzwords are emerging. "Phygital" retail, the seamless blending of digital and physical journeys, assumes the customer does not think in channels at all. They browse on an app, check local stock, reserve online, collect in store, return an online purchase at the till, and expect the experience to feel like one transaction. The store is therefore no longer simply a shop. It is part showroom, part collection point, part returns processor, part local fulfilment node and part marketing platform. Google Trends data backs this up with searches for the term up dramatically in 2026.

For the owners and developers of retail assets, this matters because it changes what the building has to do. Three implications in particular need to be considered by owners:

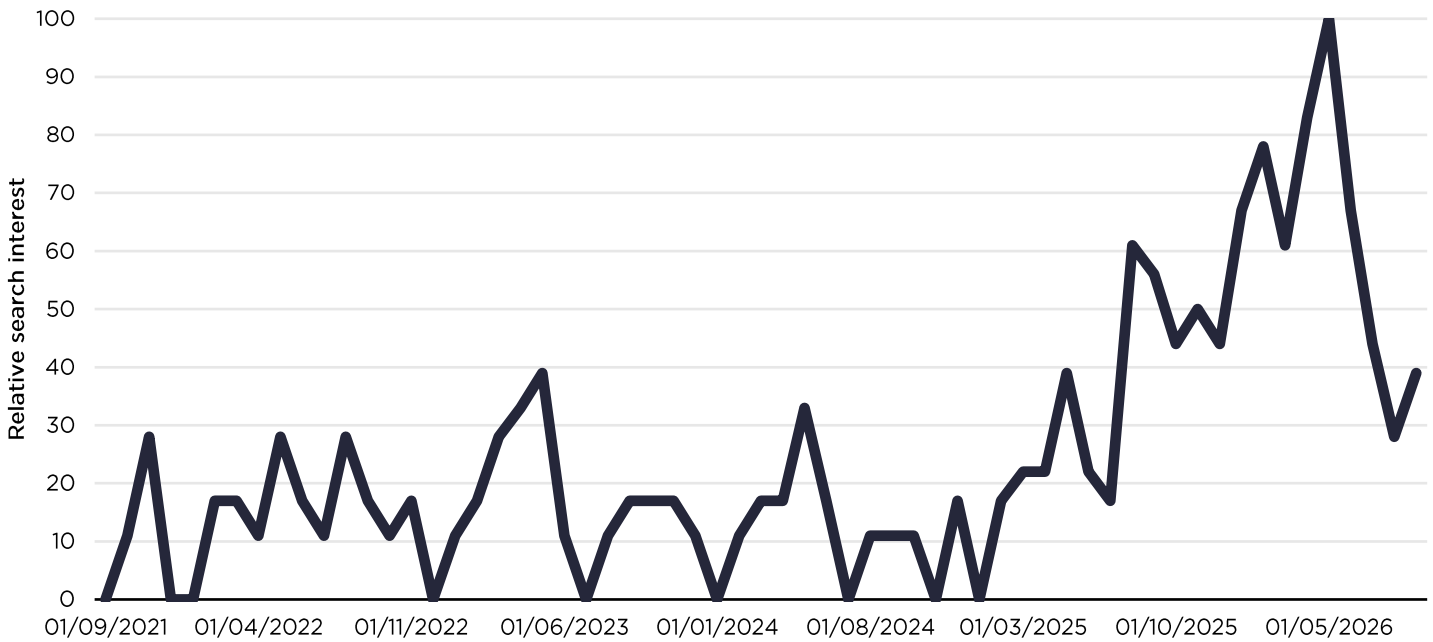
Power becomes a leasing issue. EV charging, electrification of heating, digital displays, kiosks, parcel lockers and tenant equipment all draw from the same incoming supply. Where capacity is constrained, owners need to be considering how supply can be improved.

Fit-out specifications shift. It is likely proportionally more back-of-house space will be required. Picked orders, returns, secure storage for goods awaiting collection, and dedicated collection zones near entrances all require separate space that needs to be delineated from the shop floor.

Car parks become operational space. Collection bays, lockers, ANPR, wayfinding, charging infrastructure and courier movements turn a passive amenity into active fulfilment infrastructure – with consequent implications for surfacing, drainage, lighting and lifecycle maintenance.

There are, however, practical constraints to implementation. Rising materials and labour costs continue to reinforce a preference for retrofitting and lighter-touch enhancement over wholesale redevelopment, while contractor and labour availability is already extending programmes. Meanwhile, UK out-of-town retail vacancy currently sits around 3.9%, meaning that units, as they are, remain in high demand from retailers. However, the asset management issue may rear its head sooner than we think. As retailers start to implement the use of AI within their own operations, the data silos that previously existed and were an impediment to Phygital retail will slowly start to come down. This means owners and asset managers need to start thinking about what the impact of Phygital retail will be on the physical space that they own.

FIGURE 6: GOOGLE TRENDS DATA SHOWS SHARP RISE IN SEARCHES FOR PHYGITAL RETAIL



Source: Google Trends

2.8m sq ft

Of science space is currently under construction across the golden Triangle

£ 6.57m sq ft

Of additional consented space sits behind the pipeline

▲ 40%

Of Golden Triangle take-up in H1 26 was mid-tech R&D space

AI is reshaping what science buildings need to deliver



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For much of the past decade, science real estate has revolved around laboratories, talent and venture capital. Those factors remain critical, but power – the availability and quantum of – is increasingly influencing occupier decisions. While funding markets remain volatile, the UK remains one of Europe's leading science ecosystems. Advances in artificial intelligence are beginning to reshape the specification of science buildings at a pace that few anticipated. The most immediate challenge is that tenant power requirements are starting to outstrip the allowances many schemes were originally designed around. Occupiers are seeking significantly greater electrical capacity, resilience and cooling infrastructure than landlords anticipated only a few years ago. In some cases, newly completed buildings risk becoming underpowered before they are occupied.

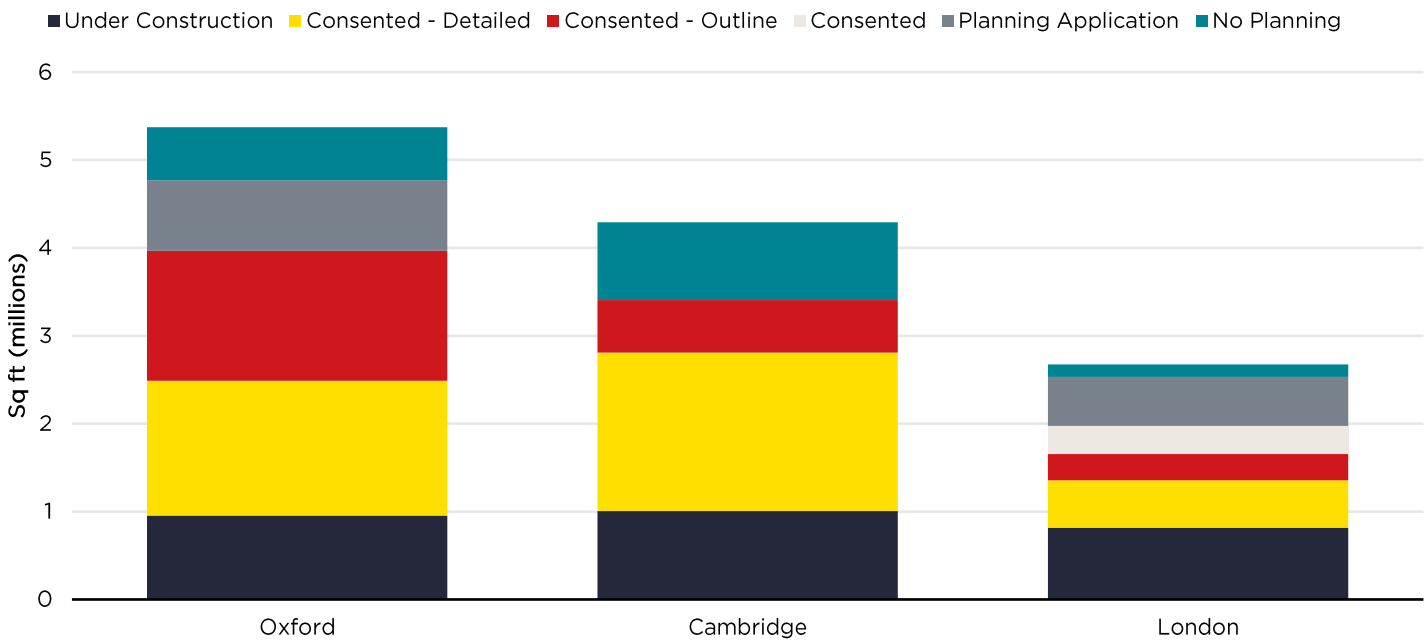
One reason, amongst others, is the growing adoption of AI-enabled research and computational biology. Workloads previously expected to sit in remote cloud environments are increasingly being brought back into the building through dedicated server rooms, high-performance computing environments and localised data processing. This shift places additional demands on power supply, cooling systems and plant infrastructure, often beyond what a traditional laboratory building was designed to accommodate. The building services strategy is therefore becoming as important as the laboratory design itself.

These trends are also beginning to influence occupational demand patterns. Dry-lab and AI-focused occupiers are taking highly specified wet-lab space, sometimes using only part of the specialist laboratory infrastructure but securing access to the power capacity associated with it. As a result, flexible "TechBio" buildings that can support a combination of laboratory, computational and office uses are increasingly attractive.

At the same time, development economics are becoming more challenging. Although a substantial volume of space is under construction and consented across the Golden Triangle, rising construction costs and higher financing costs are slowing delivery. Many landlords are now reluctant to fund enhanced CAT A+ fit-outs without a committed occupier, which means space takes longer to procure. This can often mean occupiers misjudge how much space is needed and must return to the market for more.

The implication for investors and developers is that future science buildings must be designed around flexibility, power resilience, cooling capacity and structural loading from the outset. As AI becomes embedded across drug discovery, research and automation, the most successful assets will not necessarily be those with the most laboratory space, but those capable of adapting to rapidly evolving technical requirements. As with logistics and data centres, power is increasingly becoming a key location driver in the science sector too.

FIGURE 7: GOLDEN TRIANGLE SCIENCE PIPELINE



Source: Savills Research

37%

of public-sector carbon emissions are generated by the education sector.

48%

of non-residential buildings in the higher education estate have an EPC rating of D or below

£16.3bn

estimated investment required to decarbonise the UK school estate

Education estates: balancing carbon, condition and cost



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The education sector faces a complex estate challenge: modernise ageing buildings, improve resilience and reduce carbon emissions, while operating within increasingly constrained budgets.

Decarbonisation remains central to this agenda. Education buildings account for 37% of public-sector emissions, making the sector the largest public-sector emitter from buildings. State primary schools account for 13%, secondary schools for 11% and universities for a further 13%. Reducing reliance on gas-fired heating will therefore be essential, but the route to degasification is rarely straightforward. Older properties can require extensive upgrades to their building fabric, mechanical and electrical systems before lower-carbon technologies can operate effectively.

The challenge is particularly acute where heritage and conservation requirements restrict the available interventions. A standardised approach is unlikely to work across such a diverse estate. Institutions instead require building-level strategies that balance carbon reduction, operational continuity, capital cost and long-term performance.

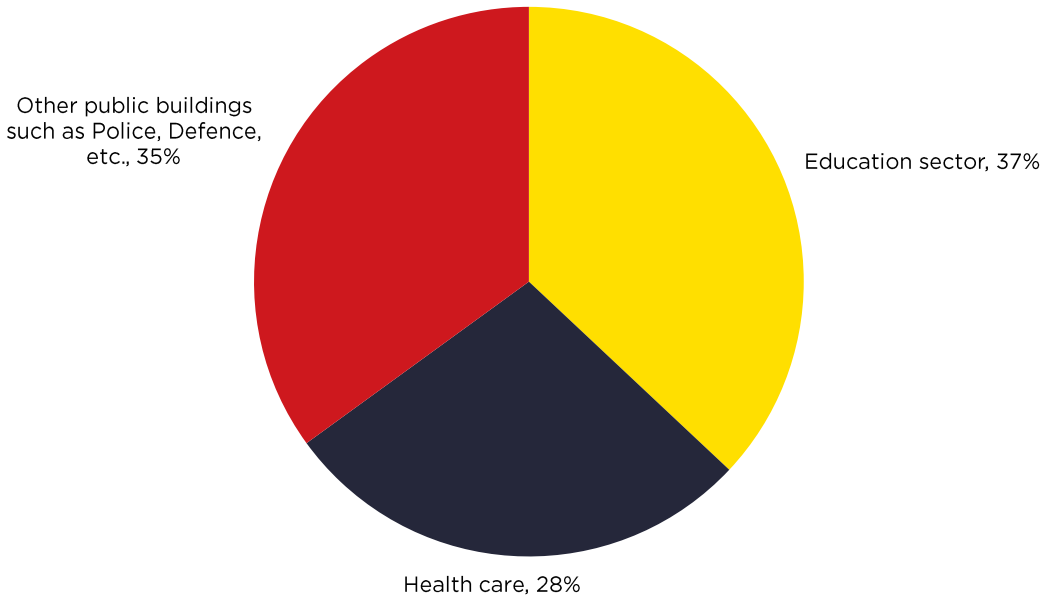
These considerations are helping to drive a wider shift from new development towards refurbishment. Universities and colleges are prioritising essential maintenance, lifecycle replacement and targeted improvements that extend the useful life of existing assets.

At the same time, evolving research and teaching requirements are creating demand for specialist laboratories, technical facilities and flexible learning environments. This means refurbishment programmes increasingly need to deliver functional transformation alongside improvements to condition and energy performance.

We expect that Education estates will come under greater pressure to review MEP upgrades following the extreme heat of this summer. Much of the older education estate, including student accommodation, was not designed around current overheating risks and may have limited mechanical cooling. Future installation of air conditioning across entire estates needs to be considered carefully, especially as it would increase energy demand. Passive cooling, solar shading, ventilation, building controls and fabric improvements should also form part of a coordinated response.

All of this must be delivered against a difficult financial backdrop. As operating and maintenance costs rise, institutions are examining whether every asset continues to support their academic and financial objectives. Estate rationalisation, disposal, redevelopment and the commercialisation of underused space will become increasingly important.

FIGURE 8: SHARE OF PUBLIC SECTOR EMISSIONS



Source: National Audit Office

£230

Estimated weekly rent needed to make new PBSA viable outside London

103,000

Beds in the PBSA planning pipeline

57%

Of PBSA in Russell Group cities built before 2015

Refurbishment as a route to investing in PBSA. How can investors unlock the opportunity?



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With construction and finance costs constraining viability, investors are giving greater consideration to refurbishment-led strategies in the living sector. Acquiring well-located existing assets can create opportunities to improve the student experience, strengthen operational performance and capture rental growth. Crucially, refurbished schemes may still offer rents below those needed to support new development, widening the addressable demand pool. The PBSA planning pipeline continues to expand. At the end of June 2026, around 103,000 beds across Russell Group cities had detailed permission or applications submitted, up from approximately 88,000 in early 2024. Yet a larger pipeline does not necessarily translate into more construction.

Unite estimates that new schemes outside London now require a weekly rent of £230 to be viable. This exceeds prevailing average PBSA rents in more than three-quarters of UK student cities, restricting the locations where new schemes can progress.

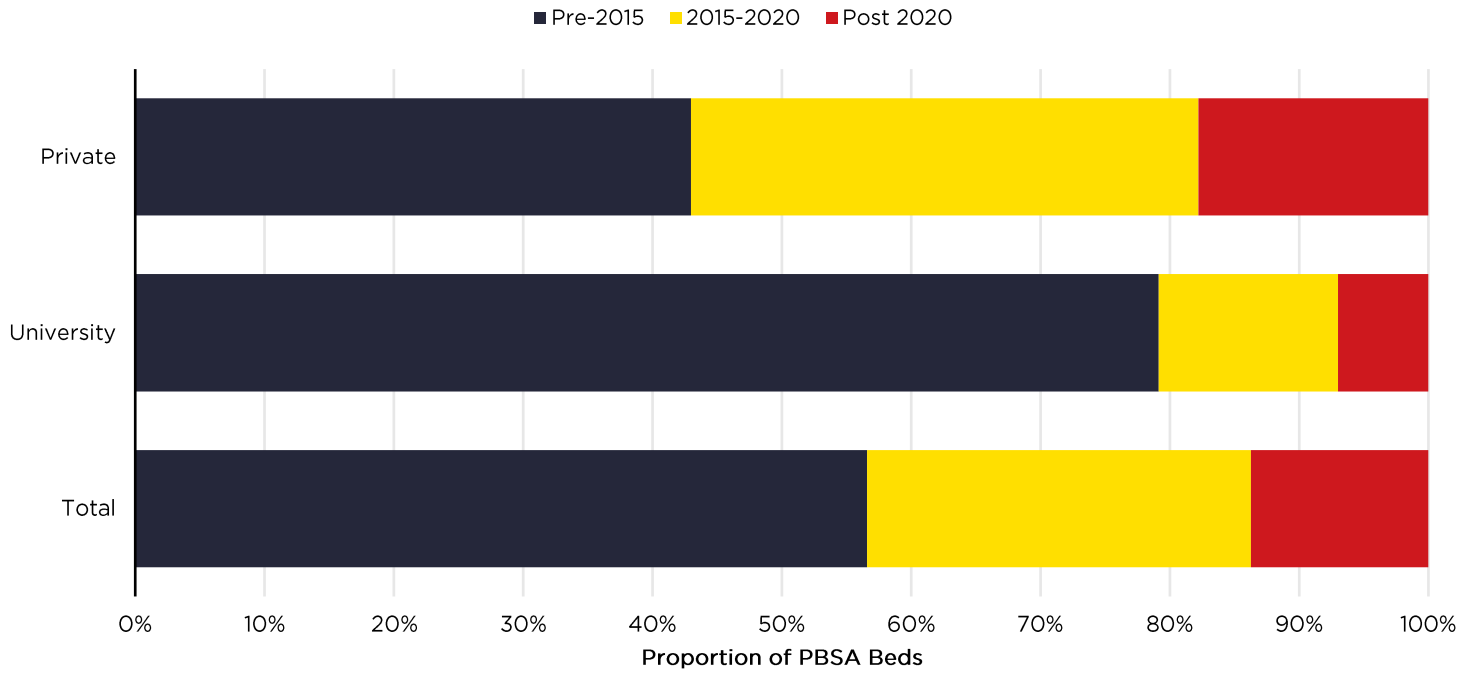
Rising construction and finance costs are making many schemes harder to deliver. Against this backdrop, existing stock offers a growing opportunity. Across Russell Group cities, almost three-fifths of PBSA was built before 2015, with a further 30% completed between 2015 and 2020. Many assets are therefore reaching the point at which targeted investment could materially improve their competitiveness. The strongest opportunities are likely to be well-located buildings in markets with robust underlying demand, but where the resident offer, specification or operational performance has fallen behind newer competitors. Refurbishment can help close this gap, capture rental reversion and improve returns. In many cases, rents can remain below new-build levels after works, supporting affordability and access to a deeper pool of students.

The characteristics that create the opportunity can also introduce delivery risk. Older buildings may contain hidden defects, outdated services and more complex regulatory requirements. Investors should test physical, operational and statutory constraints alongside rental and capital-value upside from the outset. Technical due diligence should cover the structure, façade, roof, building fabric, and mechanical and electrical services.

It should also identify potential liabilities including asbestos, damp, fire-compartmentation deficiencies and incomplete health and safety information. These findings should inform the programme, cost plan and contingency. If identified too late, material defects can quickly erode the returns that supported the case for refurbishment. The strategy should also consider operational carbon, energy efficiency and thermal performance. Older assets may have oversized communal areas, redundant space or inefficient layouts. Subject to building constraints, reconfiguration may create additional lettable rooms and increase net operating income and capital value within the existing envelope. Extension or increased density may also be possible.

Any increase in occupancy must be tested against planning, means of escape, compartmentation, accessibility, amenity provision and building-services capacity. Where an asset falls within the higher-risk building regime, the Building Safety Act 2022 and the Building Safety Regulator are central considerations. Gateway 2 approval is required before construction can begin, so programmes should allow for coordinated design and complete fire and structural safety information.

FIGURE 9: SHARE OF OPERATIONAL PBSA BY AGE GROUP IN RUSSELL GROUP CITIES



Source: Savills Research

Key take aways

Index heads back to trend but wider pressures remain

With wider geopolitical issues also impacting development viability, new project delivery remains muted. Competitive tendering is successfully keeping costs down, to a degree, which is reflected in the latest readings of our Build: Perspective index.

Workplace investment must earn its place in regional offices

Grade A and prime space made up 61% of Big Six take-up in H1 2026, and prime vacancy is just 1.9%. With build and fit-out costs rising, landlords need to pick amenities that attract tenants without hurting viability.

Prime office demand is proven, but delivery is stalling in London

Grade A space made up 94% of Central London take-up in H1 2026, and City prime rents hit a record £116.73 per sq ft. Even so, viability challenges are holding back new development starts. For developers who can build, there is an opportunity to deliver into a thinning pipeline.

I&L sector weighs options around extreme heat

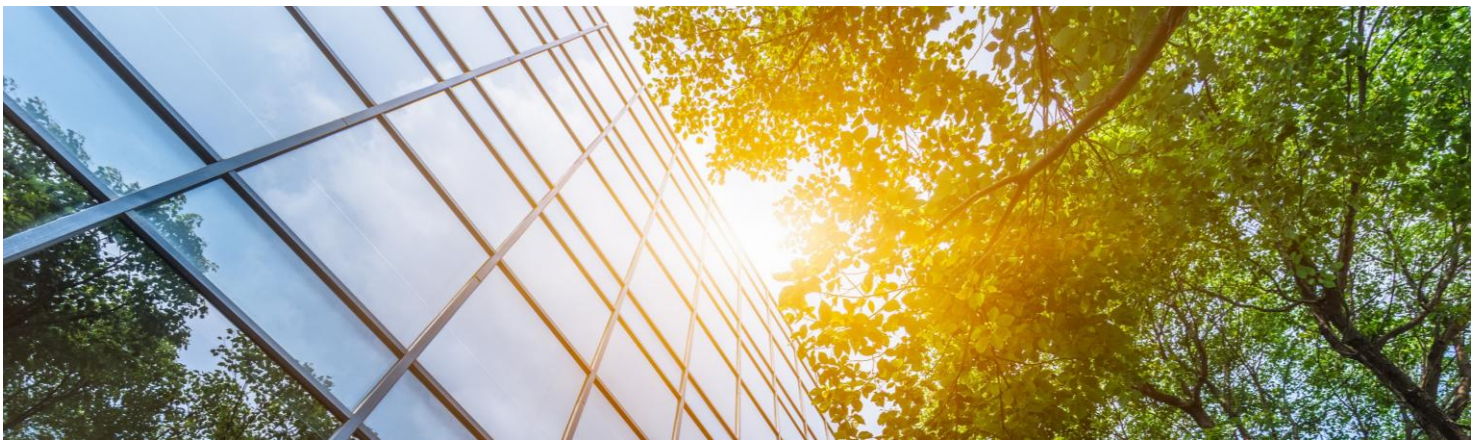
Historically, UK warehouses have been designed to keep the heat in during winter. The heatwaves experienced over summer 2026 will prompt a wider discussion around what features could be designed into future schemes to mitigate for extreme heat which impacts both human and robotic labour.

AI is starting to impact what users want from science buildings

Future science buildings must be designed around flexibility, power resilience, cooling capacity and structural loading from the outset as AI becomes embedded across drug discovery and R&D.

Refurbishment evolving a route into PBSA investing

Rising development costs are making new PBSA increasingly difficult to deliver. Refurbishing well-located existing stock can unlock rental growth, improve operational performance and maintain affordability, provided investors carefully manage technical, regulatory and delivery risks.



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