

## UK Commercial Investment

January 2026

savills

KEY  
STATS

5.89%

AVERAGE PRIME  
YIELD AT THE END OF  
JANUARY 2026

9/14

SUB-SECTORS ARE  
FACING DOWNWARD  
PRESSURE ON YIELDS

£20BN

TRANSACTIONED IN Q4  
2025

9.4%PA

FORECAST AVERAGE  
ANNUAL TOTAL  
RETURN FOR 2026-  
2030

## New year, new optimism?

Prime yields in nine out of 14 sub-sectors are under downward pressure.

What a difference a month makes. At the end of 2025 yields in only three of our sub-sectors were seen as being under downward pressure, and by the end of January 2026 this had risen to nine. As the table opposite shows, 2025 also started in a similarly optimistic fashion, but this time the foundations of that optimism do feel more solid.

It is probably a risky bet to say that things are more stable on the geo-political front, but we do feel that both the tone of UK fiscal policy and USA foreign policy is now clearer than it was a year ago.

More tangibly, the investment activity in the final quarter of 2025 reached £20bn, the highest Q4 since 2021, 18% above the ten year average for the final quarter of the year. This brought the UK to a 2025 total of £54bn, 4% up on the previous year. Furthermore, a decent volume of under-offer deals slipped into 2026, and this promises a strong start to this year.

We are predicting that average annual total returns on UK commercial property will be 9.4% per annum over the next five years, broadly in line with the long term MSCI average. Further strong prime rental growth and some attractively high yields are both expected to pull more investors into the market this year, and we expect that the turnover will be 10% up on 2025's total.

## SAVILLS PRIME YIELDS

	Jan 2025	Dec 2025	Jan 2026
West End Offices	4.00%↓	3.75%	3.75%
City Offices	5.25%	5.25%↓	5.25%↓
South East Offices	7.50%	7.50%	7.50%
Regional Offices	7.00%	6.75%	6.75%↓
High Street Retail	6.50%	6.50%	6.50%↓
Shopping Centre	7.75%↓	7.25%	7.25%↓
Retail Warehouse (Open A1)	5.25%↓	5.25%	5.25%↓
Retail Warehouse (Restricted)	5.75%↓	5.75%	5.75%↓
Foodstores (OMR)	5.50%↓	5.50%↓	5.50%↓
Ind/Distribution (OMR)	5.00%	5.25%	5.25%
Industrial Multi-let	5.00%↓	5.00%	5.00%
Leisure Parks	8.00%↓	8.00%	8.00%↓
London Leased (core) Hotels	4.50%↓	4.50%↓	4.50%↓
Regional Pubs (RPI)	6.50%	6.50%	6.50%

Source: Savills Research

# Will rental growth be sustained?

## Is it about tenant demand or development viability?

The over-arching themes of the post-Covid years have been the better than average prime rental growth, and weaker than average yield hardening. 2025 was no exception to this, though some sectors did show signs of cooling (but still strong) rental growth.

With the UK economy forecast to show weaker growth in 2026 than 2025, it is hard to confidently predict that tenant demand will rise this year. But does that matter? The key driver of the recent trends in rental growth has been a lack of development, not a surge in tenant demand.

Broadly we do not expect that development viability will get much easier this year, though debt pricing and availability has improved a little. Tender price inflation has also flattened, which should provide a slight viability boost. We

do expect to see a pick-up in development starts in some of the highest rented office markets, but overall levels are expected to be well below normal.

This, combined with some pent-up tenant demand from the more uncertain years of 2024 and 2025, should continue to drive better than average rental growth in the most sought-after locations. However, the definition of a prime location will remain extremely tight, and we do not expect these rental growth trends to spread out into 'edge of core' locations this year.

## What will it take to make speculative development more viable?

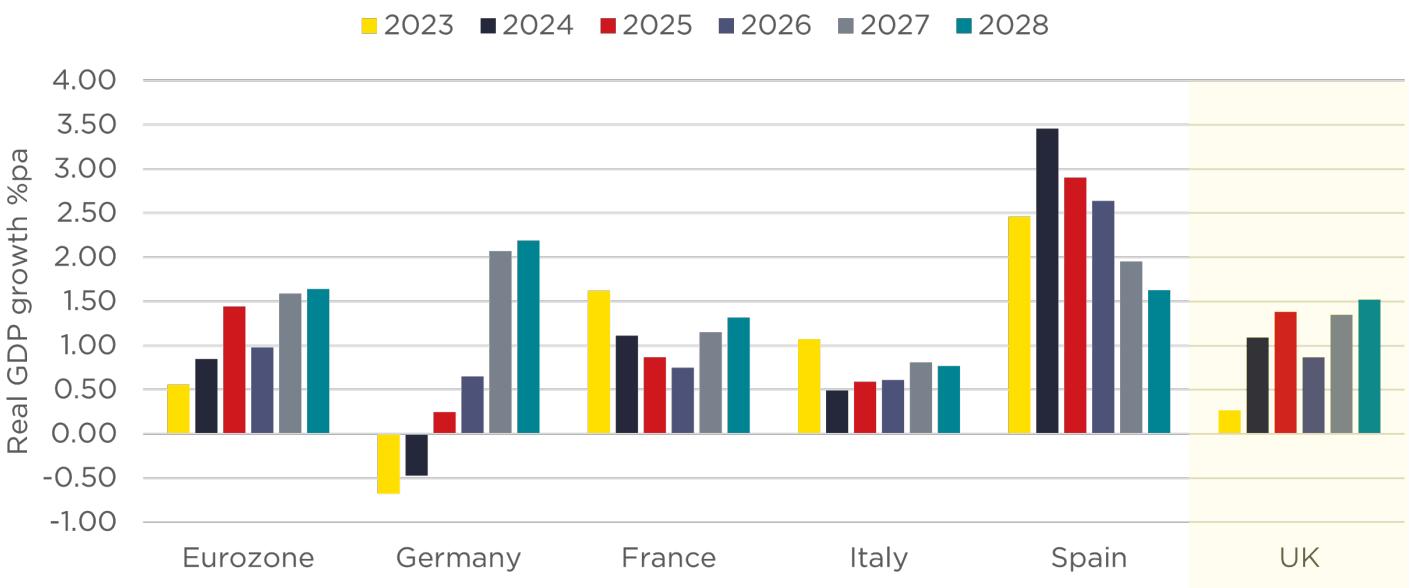
In many prime locations the biggest challenge to development viability at present is not the ability to lease the finished product at a high rent, but the depth of demand amongst investors for that finished product. Without the

confidence that the exit yield will be better than it is today, many developers are unlikely to press 'Go' on large speculative developments.

This caution is understandable, given that some of our prime yield indices have now been stable at cyclical high levels for more than two years. While this is an uncommonly long hangover period for the commercial property market, it does not mean that yields will not harden in the future.

Further base rate cuts are predicted for the UK economy, and the rising recognition that the UK government is pursuing a more fiscally responsible strategy than some of our peers should bring down the gilt yield in time. This, combined with a gentle rise in transactional activity in 2026 and beyond should deliver enough competitive tension to drive modest downward movements in some prime yields this year.

## UK ECONOMIC GROWTH PROSPECTS ARE HARDLY IMPRESSIVE



Source: Oxford Economics



### Savills Research

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