RESEARCH

MARKET IN MINUTES

UK Commercial Investment

SEPTEMBER 2026

savills

KEY STATS

6.00%
AVERAGE PRIME YIELD FOR SEP 2026

6
SUB-SECTORS MOVE YIELDS OUT BY 25 BPS

£3.8BN
CENTRAL LONDON OFFICE ASSETS UNDER OFFER AT Q3 END

92%
OF LONDON AND BIG SIX NEW OFFICE STARTS ARE REFURBISHMENTS

Yields edge out as caution increases

Market sentiment became more cautious in September, with UK government bond yields remaining at multi-decade highs and renewed inflation concerns reinforcing expectations that interest rates will remain higher for longer. With monetary policy expected to remain restrictive, uncertainty ahead of the Autumn Budget has tempered the optimism seen earlier in the year.

Against this backdrop, prime yields across office and industrial sub-sectors moved out by 25 basis points. This took the average prime yield to 6.0%, the largest monthly outward movement since November 2023 and the highest level since October 2024. Retail yields, however, remained stable, with comparatively attractive entry yields and strong income returns supporting pricing, though with the divide between prime and secondary assets continuing to widen.

The shift in sentiment though has not been uniform, with occupational market demand remaining robust. At the end of Q3, UK logistics take-up was 1% above pre-pandemic levels, while Central London office take-up was 6% above the ten-year average for this period. This resilience is also reflected in continued prime rental growth being seen across the market.

As we enter the typically busy final quarter, there are some signs that investors remain engaged, supported by improved debt availability, although appetite remains highly selective. Central London office assets under offer totalled £3.8bn at the end of Q3, 37% above the ten-year average for this period, with well-positioned opportunities continuing to attract capital.

SAVILLS PRIME YIELDS

	Sep 2025	Aug 2026	Sep 2026
West End Offices	3.75%	3.75%↑	4.00%
City Offices	5.25%↓	5.25%	5.50%
South East Offices	7.50%	7.50%	7.75%
Regional Offices	6.75%	6.75%	7.00%
High Street Retail	6.50%	6.50%	6.50%
Shopping Centre	7.25%	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%	5.50%
Industrial Multi-let	5.00%	5.00%	5.25%
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

Prime demand meets slowing new starts

The outlook for prime office supply remains increasingly constrained across both Central London and the Big Six regional markets, with limited development pipelines and a shrinking pool of high-quality options. Across the Big Six, deliveries scheduled for 2027 and 2028 currently total 1.05m sq ft a year, approximately 32% below the five-year annual average, suggesting limited relief from new supply.

By contrast, Central London's near-term development pipeline appears more substantial, with completions set to reach a record 7m sq ft this year. Overall, 15.3m sq ft is currently under construction, with 64% due to complete by the end of 2027 and 25% already let ahead of completion.

However, this headline volume masks the growing uncertainty over the next wave of delivery, as new starts have slowed significantly in 2026, with further cost pressures expected to place additional strain on scheme viability. At the end of Q3, Central London development starts totalled just 2.6m sq ft, and we anticipate that full-year activity will fall to its lowest level in over a decade. This follows a subdued first half, when starts were 39% below the ten-year H1 average.

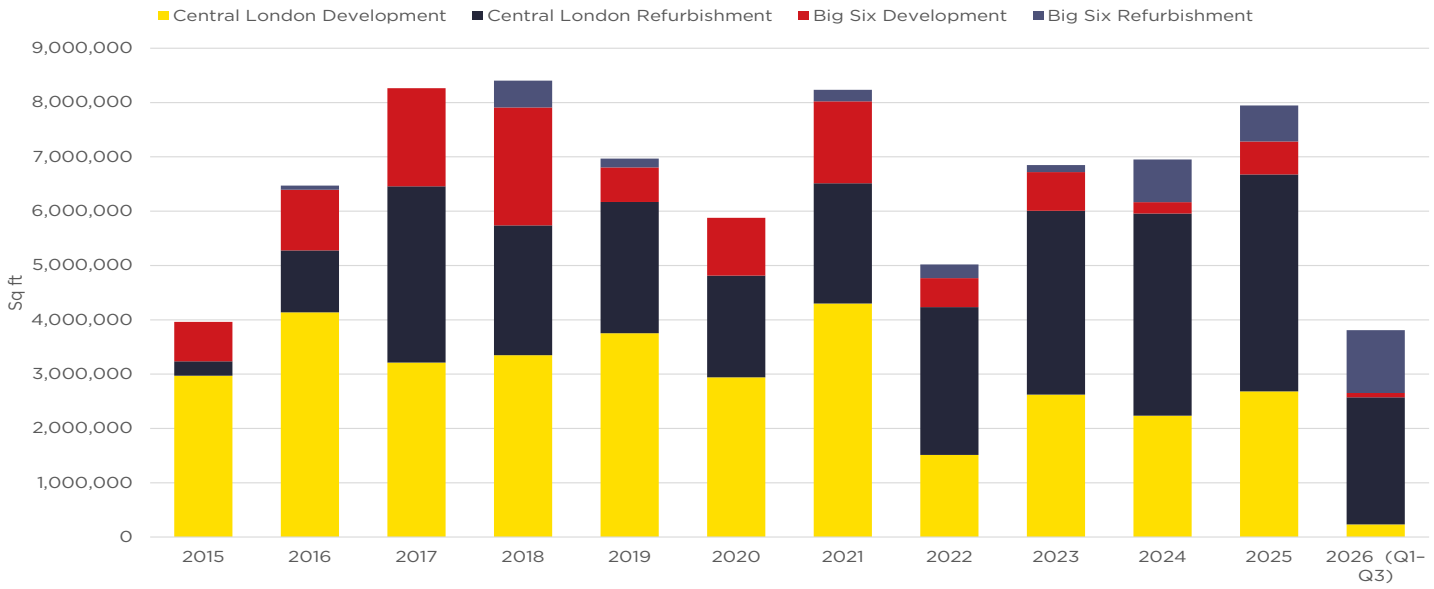
Most striking has been the scarcity of new developments, with no new ground-up office schemes starting in Central London during Q3 and less than 250,000 sq ft commencing so far this year. A similar trend is evident across the Big Six, where new development starts are also at record-low levels and extensive refurbishments have accounted for 91% of starts. The shift reflects higher delivery and financing costs alongside greater planning and embodied carbon considerations around demolition, raising the threshold for viable ground-up redevelopment.

Delivery risk is evident across the wider pipeline, with one in five Central London schemes delayed by more than six months against Q3 2025 expectations.

Despite this, developers continue to prepare sites, with 4.1m sq ft currently undergoing demolition, providing a potential source of future starts. While this activity provides grounds for optimism, certainty around future delivery remains limited with 43% of the 26.7m sq ft scheduled for completion across Central London by 2030 yet to start.

With demand for prime offices remaining strong, the challenge is increasingly one of converting planned supply into deliverable space. For developers able to manage costs and secure funding, constrained competing delivery could create an opportunity, although rising rents alone will not resolve the underlying viability challenge.

CENTRAL LONDON AND BIG SIX OFFICE DEVELOPMENT STARTS



Source: Savills Research

savills

Savills Research

We're a dedicated team with an unrivalled reputation for producing well-informed and accurate analysis, research and commentary across all sectors of the UK property market. To view copies of our previous Spotlight publications, go to **www.savills.co.uk/insight-and-opinion/**

Victoria Bajela
Director - Research
020 7409 5943
victoria.bajela@savills.com

James Emans
Director - Investment
020 7409 8132
jemans@savills.com

Nick Penny
Director - Investment
0131 247 3803
npenny@savills.com

Savills plc is a global real estate services provider listed on the London Stock Exchange. We have an international network of more than 700 offices and associates throughout the Americas, the UK, continental Europe, Asia Pacific, Africa, India and the Middle East, offering a broad range of specialist advisory, management and transactional services to clients all over the world. This report is for general informative purposes only. It may not be published, reproduced or quoted in part or in whole, nor may it be used as a basis for any contract, prospectus, agreement or other document without prior consent. While every effort has been made to ensure its accuracy, Savills accepts no liability whatsoever for any direct or consequential loss arising from its use. The content is strictly copyright and reproduction of the whole or part of it in any form is prohibited without written permission from Savills Research.