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Five real estate opportunities to watch in 2026

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The 2025 Autumn Budget offered limited stimulus for the housing market and, persistent headwinds such as sticky inflation, higher for longer interest rates, elevated construction costs, and slow planning processes continue to impact development viability. But there are still reasons for cautious optimism. The UK economy is forecast to grow by 1.4 per cent this year. This is expected to outperform the eurozone and should support investor confidence. The UK also remains an attractive destination for global capital, with ongoing interest from the Gulf, Southeast Asia and deepening UK United States investment links, particularly through the technology sector.

ASK recently surpassed £2 billion in total lending. This milestone reflects the importance of disciplined, relationship-led financing and flexible structuring in a challenging market. It also highlights the growing appetite for income-producing real estate debt. With public equity markets at elevated levels and real estate pricing looking comparatively attractive, 2026 is likely to see increasing interest in secured credit strategies that offer predictable cashflows and downside protection.

Looking ahead, several segments of the market offer clear potential for investors.

Prime offices

The flight to quality is expected to continue as businesses compete for modern, energy efficient and amenity rich workspace that supports hybrid working. Best-in-class offices in central London continue to achieve strong rents and stable yields. Although secondary and tertiary offices face challenges linked to obsolescence and environmental compliance costs, some well-located secondary assets are becoming more investable as prime rents rise. Refinancing pressures and selective refurbishment opportunities will provide value-add prospects for well-capitalised investors able to move quickly.

Residential, build-to-rent and co-living

Buyer appetite is expected to soften due to higher taxation, reduced ISA allowances and the absence of stamp duty reform. Despite this slowdown, the UK remains structurally undersupplied in housing. With so many smaller landlords exiting the sector due to increased costs and regulatory complexity, professionally managed rental formats are becoming more important. Build-to-rent and co-living are particularly well positioned to serve younger, mobile workers who seek affordability, connectivity and community. Mid-market suburban and commuter belt schemes may outperform prime central locations, especially in areas benefiting from new infrastructure such as the Lower Thames Crossing.

Storage, logistics and data centres

Storage, logistics and light industrial assets remain among the most resilient parts of the market, supported by the continued expansion of online retail, SME activity and the need for flexible urban distribution space. Alongside these uses, demand for data centres has become a major structural driver. Growing adoption of artificial intelligence, cloud services and high-performance computing is placing unprecedented pressure on power capacity and suitable land, making data centres an increasingly strategic real estate category. The combination of long-term contracted income, critical infrastructure status and limited supply of appropriate sites means this segment is likely to remain strong. Mixed-use industrial schemes that accommodate logistics, data infrastructure and urban services will offer particularly attractive, income-led opportunities in 2026.

Hotels and hospitality

The hotel sector has rebounded strongly, supported by domestic leisure travel, international visitors and the ability to adjust room rates in line with inflation. Conversion opportunities, particularly the transformation of under-utilised office buildings into hotels, are creating new avenues for investors. The asset class continues to appeal to private investors and family offices seeking income diversification and long-term value.

Income producing operational real estate

Operational real estate, including healthcare, specialist care, education and supported living, provides stable and often inflation linked income streams. Demographic shifts, including an ageing population and rising demand for specialist services, support the long-term resilience of these sectors. Although certain subsectors such as life sciences are recalibrating, operational assets backed by strong occupier demand remain attractive.

Conclusion

In 2026 the UK real estate market is likely to offer opportunities grounded in the resilience of the asset class rather than wider economic growth. As interest rates begin to edge lower and transaction pipelines reopen, investors who have been waiting on the sidelines may return. If base rates move toward 3.5 to 3.75 per cent, many schemes that have not been viable in recent years could start to work again. Those who focus on income-producing assets, structure deals carefully and navigate planning challenges with discipline will be best positioned to secure stable returns in a subdued economic environment.

ASK Partners is a specialist, independent property lender founded in London in 2016.