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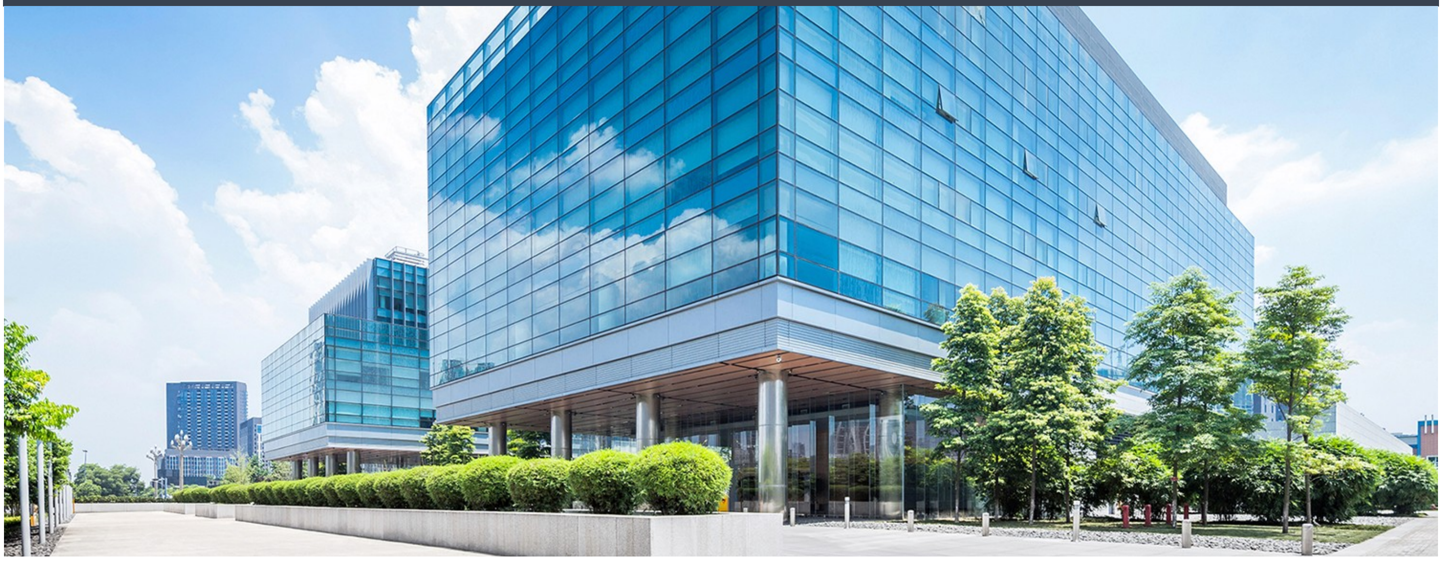
Commercial Property Market Review

August 2026



Office sector update

Data from CBRE shows that Artificial intelligence (AI) firms are helping to drive the demand for office space in Central London.

Occupier demand was strong in the office sector in the first half of 2026. Take-up in Central London was broadly in line with last year's levels, supported by technology, media and telecommunications occupiers. By the end of H1, AI-related office take-up reached 705,371 sq. ft - four times higher than in H1 2025 and more than double the full-year total for 2025. Two of the largest transactions involved OpenAI and Anthropic.

In Central London, limited availability of Grade A office space has driven up rents, which reached £95 per sq. ft in prime City locations - 12% higher than the previous year. In Q2, newly completed and pre-let space accounted for only 36% of take-up. This is the lowest combined share since 2020, thus highlighting the ongoing supply shortage. Meanwhile, regional markets are benefitting from growing demand in the defence and cybersecurity sectors.

Hotel investment market

According to Savills, UK hotel investment volumes reached approximately £2.1bn in the first half of 2026 - nearly £500m higher than the same period in 2025.

London led the way in H1, attracting £1.4bn of investment - this was driven by sustained interest in single asset transactions. The strength of the capital's hotel investment market can be attributed to the availability of core capital, strong trading fundamentals and liquidity.

Investors were active in select regional markets that offered compelling yields and strong revenue performances, with significant transactions in Edinburgh, Oxford City Centre and Reading. Savills notes that investor activity is focused on locations with clear operational fundamentals, resilient leisure and corporate demand, plus the potential to capture income growth.

David Kellett at Savills commented, *"The UK hotel sector continues to benefit from strong operational fundamentals and a deep pool of capital, supporting a positive outlook for best-in-class assets and high performing regional markets."*

Low supply of retail parks

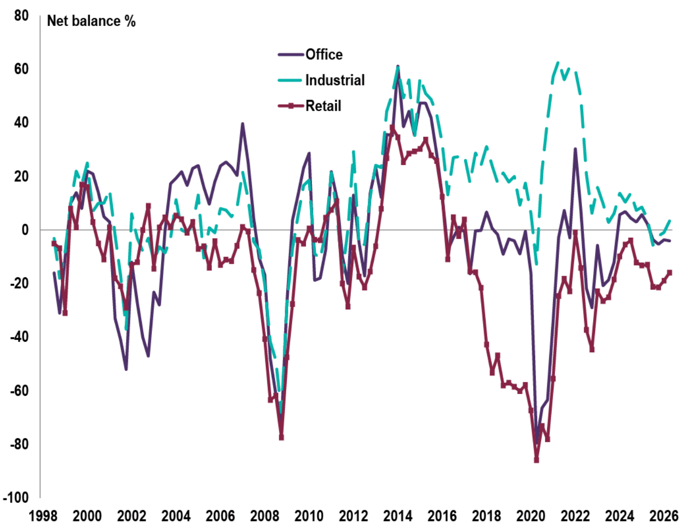
The latest data from Savills shows there is a shortage of space in retail parks. Retail park vacancy rates have hit a record low, with only 1.8% of the total floor space currently available in the UK.

Meanwhile, British Land (one of the largest retail park owners) has a 99% occupancy rate. This comes at a time when retailers are turning their attention to shops after focusing on online shopping. Kelly Cleveland at British Land explained, *"Retail parks are outperforming because they offer what both retailers and customers need today: affordability, accessibility and adaptability."*

With 91% of retailers renewing their leases, new developments are struggling to keep up with the high demand because it has become increasingly expensive and time-consuming to secure planning permission. Johnny Rowland at Savills advised, *"The only new development we're going to see will be small two- or three-unit schemes, and typically anchored by food stores."*

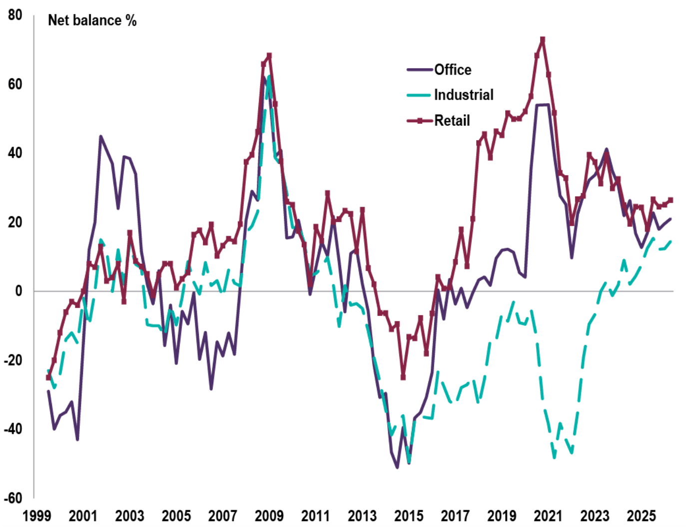
Commercial Property Outlook

Occupier demand – broken down by sector



- On a UK-wide basis, the all-sector occupier demand indicator returned a net balance of -5%
- Industrial demand strengthened, with the net balance rising to +3% from -1% previously
- In retail, the latest net balance of -16% remains the weakest.

Availability – broken down by sector



- The net balance for availability of +20% points to a modest increase in vacancies during Q2
- Respondents reported a rise in the volume of unlet space across all three traditional sectors
- Landlords are continuing to offer significant incentives to attract occupiers.

Source: RICS, UK Commercial Property Market Survey, Q2 2026

UK data centre market

New research offers an insight into the UK data centre market. London continues to be the data centre hub of Europe, representing over 80% of UK supply due to its fibre density and cloud availability zones.

However, this puts increased pressure on power, land and delivery timelines. Overall, power scarcity is the main factor that will hinder growth in the sector, along with the availability of space. Supply is limited, with the vacancy rate falling from 27% in 2016 to 8% in Q1 2026. Pre-letting has become commonplace in the market, so many developments have been committed at an early stage. However, rising construction costs and labour shortages are affecting the number of projects that reach completion.

Savills notes that *'Looking ahead, the UK is unlikely to lack demand, capital or strategic relevance. The decisive question is which projects can convert those advantages into deliverable capacity in a more constrained, regulated and execution-sensitive environment.'*

'Looking ahead, the UK is unlikely to lack demand, capital or strategic relevance'

All details are correct at the time of writing (19 August 2026)