Who invests in UK property?

A joint report from the BPF & CoStar

March 2025

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About the BPF

The British Property Federation is the voice of the UK property sector. Our ambition is to work in partnership with national and local government, and with local communities, to create places we can all be proud of.

The property industry underpins all aspects of modern life – we live, work and relax in buildings and we rely on the built environment to support us – whether delivering goods to our homes, or providing modern healthcare facilities or designing safer, cleaner town and city centres.

Our industry invests billions of pounds across the country to provide great homes, work and leisure spaces, to play our part in the UK reaching its environmental goals and to reduce bills for our customers whilst giving them a better experience. We help power the economy, adding more than £110 billion a year, or 5% of Gross Value Added (GVA). We support one out of 13 jobs across the country and pay more than £7 billion in direct taxes each year, contributing another £7 billion indirectly to local communities.

About CoStar Group, Inc.

CoStar Group (NASDAQ: CSGP) is a global leader in commercial real estate information, analytics, and online marketplaces. Founded in 1986, CoStar Group is dedicated to **digitizing the world's real estate**, empowering all people to discover properties, insights, and connections that improve their businesses and lives.

CoStar Group's major brands include CoStar, a leading global provider of commercial real estate data, analytics and news; LoopNet, the most trafficked commercial real estate marketplace; Apartments.com, the leading platform for apartment rentals; and Homes.com, the fastest-growing residential real estate marketplace. CoStar Group's industry-leading brands include STR, a global leader in hospitality data and benchmarking, Ten-X, an online platform for commercial real estate auctions and negotiated bids and OnTheMarket, a leading residential property portal in the United Kingdom.

CoStar Group's websites attracted over 163 million average monthly unique visitors in the third quarter of 2024, serving clients around the world. Headquartered in Arlington, Virginia, CoStar Group is committed to transforming the real estate industry through innovative technology and comprehensive market intelligence. From time to time, we plan to utilize our corporate website as a channel of distribution for material company information. For more information, visit CoStarGroup.com.

Executive summary

- The UK property industry is worth around £110 billion to the economy, roughly 5% of UK GVA and supporting 1 in 13 jobs. It is a foundational sector underpinning all other economic activity that relies on the built environment to function.
- It is also a sector that is very open to global capital investment. That is why the BPF has partnered with CoStar to produce this report, which is the first of an annual series that will track trends in overseas investment into UK property. This will demonstrate the scale of such investment, as well as give indications as to who is investing and where that capital is going, both in terms of geography and asset type. Through this report we intend to inform policy-making so that it can understand and better support such investment into the UK, further growing the economy and helping achieve policy ambitions to build more homes, create more jobs and regenerate town centres.
- The UK is an attractive place for foreign direct investment (FDI) consistently ranking first or second in Europe as a destination. Investment from the United States (US) is particularly important for UK property, accounting for a higher share of overseas investment (16%) than for general goods and services trade (12%) between 2021-24. A positive trading and political relationship between the UK and the US is therefore especially important for property.
- Within US investment a small number of private equity buyers, such as Blackstone, account for significant investments, although property companies and investment managers account for almost two-thirds of total spend.

- London attracts the lion's share of overseas investment, although this has declined somewhat in recent years as investors pivot from office investment and target Build-to-Rent and industrial/logistics investments in the regions. While the Government must ensure London remains attractive, devolution in England presents opportunities for greater clarity of governance and investment at regional scales.
- Logistics and industrial are the biggest asset-type for global investment, although this has softened slightly in the last two years. Its importance in underpinning other economic activity must be recognised. Office investment has declined post-pandemic, although demand for high-quality modern space in London and a small number of other locations remains high.
- The living sectors, primarily Build-to-Rent, are now an established part of the UK investment scene and could grow much bigger with the right planning and regulatory environment – potentially doubling annual housing output to 30,000 homes, helping to meet the 1.5m target by the end of the parliament.
- Investment in retail is growing, reflecting views that the market has finally bottomed out. Government should work with private investors to regenerate challenged locations.

Introduction

The Government has set out its ambitions to grow the UK economy to be the biggest in the G7, and to deliver 1.5 million new homes by the end of the parliament. In addition, there is a pressing need to invest in town centre regeneration, renew the NHS estate, invest in infrastructure, create workplaces that meet users' needs post-pandemic, and to fit out buildings to meet increasingly demanding energy efficiency standards on the path to net zero.

The property industry is clearly central to delivering all of these objectives, and the BPF as the voice of that industry wants to work in partnership with local, regional and central government to do so.

This report, jointly produced by the BPF and CoStar, quantifies the scale of investment from overseas since 2021 into a range of property asset classes. It aims to demonstrate not just the quantum of investment, but also the potential for further investment and, in turn, what relative strengths the Government should therefore play into to increase this to boost national GDP.

The BPF and CoStar will publish an annually updated report, enabling us to demonstrate trends over time, which we hope will in turn help inform national policy and regional understanding of development opportunities and challenges.

Methodology

The data in this report has been drawn from CoStar's comprehensive database of nearly 300,000 UK sales transactions. The data itself is drawn from investment transactions since 2021 to put it in recent context, and measures 'flow' rather than 'stock' (i.e. annual levels of investment measured through transactions rather than measures of the value of property assets held by businesses based overseas).

The role of foreign direct investment

The UK has long been an attractive destination for FDI for several goods and services industries (not just property), underpinned by historic advantages such as language, the rule of law, and expertise in professional services. In 2024 it was ranked second in Europe (behind France) in terms of number of inward investment projects, having fallen from first place in 2017. The UK came first in Europe in terms of jobs delivered from inward investment projects in 2023, and was ranked third in Europe, behind France and Germany, in terms of overall attractiveness to investors.[1]

In absolute terms, the value of FDI has fallen steadily since 2016, although that was a particularly high year for transactions. Since then, Brexit, Covid and subsequent global events have impacted overall investment activity - the total value of global inward FDI flows were 33% lower in 2022 compared to 2016. UK Government data shows that the number of inward investment projects in the UK (as opposed to the value of investments) fell by 31% in the same period.[2]

These totals tend to mask the important role that investment into UK property plays, not just in the direct creation of jobs, but in turn meeting the public policy objectives set out above. That is why the BPF has partnered with CoStar to analyse transaction data over the past four years to tell the story of how much investment into UK property is actually taking place, where that investment is coming from globally, and where it is going to, both geographically and by asset class. By understanding the quantum, origin and destination of such investment, we can support Government in ensuring that the regulatory and legal framework supports it, and in turn boosts economic growth and our collective capacity to achieve the Government's ambitions.

1. EY, 'Stability and Growth', UK attractiveness survey July 2024
2. Foreign Direct Investment Statistics, House of Commons Library, December 2024

Who invests in UK property?

Summary

- **The USA is by some margin the single biggest investor in UK property as a jurisdiction. Property companies (propcos) and investment managers remain significant individual commercial investors despite some big-ticket property purchases by US private equity (PE) and Real Estate Investment Trusts (REITs)**

Investor by country

The dominance of US capital in the UK's commercial property investment landscape was one of last year's key themes. As Chart 1 below shows, American investors deployed £13.6 billion in 2024, more than double the amount spent a year earlier and a record 33% share of all investment. US inflows into the UK eclipsed those of all other nationalities combined, and by the greatest extent on record. Nearly half of the 62 deals larger than £100 million completed last year had a US buyer.

Over the past four years, American investors have bought £49.7 billion worth of UK commercial properties, dwarfing acquisitions from elsewhere in the world. The next biggest investors in the period were from Singapore (£12.6 billion), Canada (£6.6 billion), Germany (£3.4 billion) and France (£2.7 billion). With the exception of France, investment from other countries has generally fallen over the past few years. Inflows from Germany were down 16% from £332 million in 2023 and a fraction of the £2.4 billion spent in 2021 as German investors pivoted back to domestic markets.

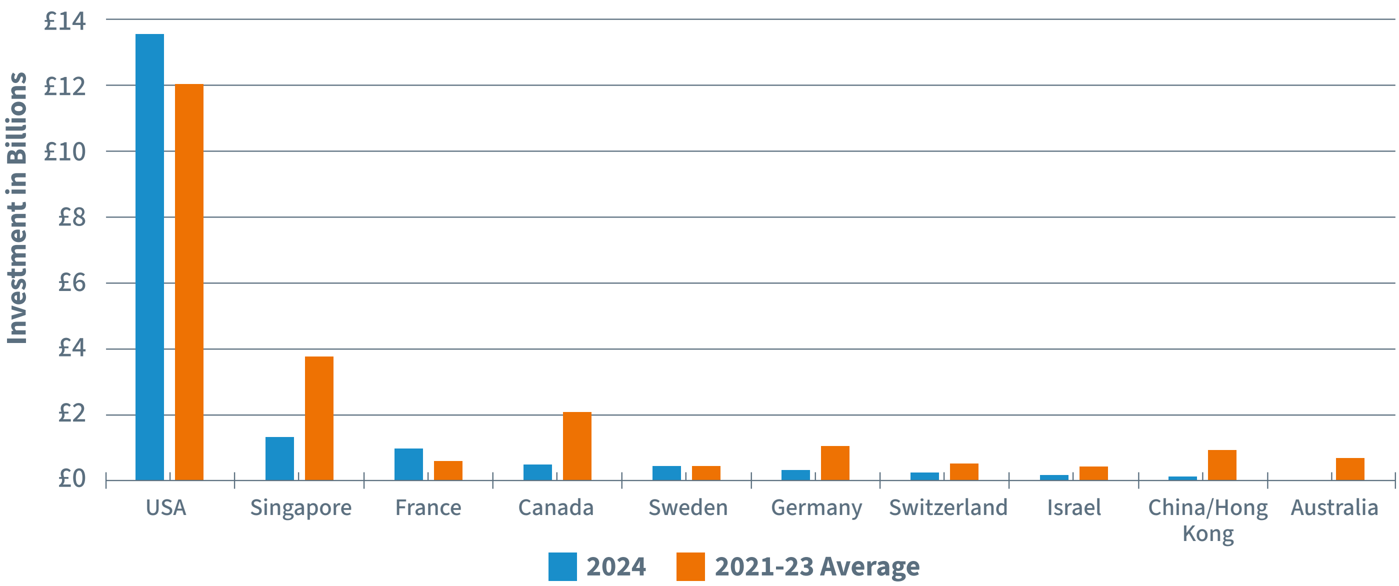


Chart 1: Investment by country

Source: CoStar Group, February 2025

Part of the UK's appeal to US investors, alongside its relatively strong fundamentals and transparent marketplace, is the dollar's strength against the pound. Thanks to the resilience of the US economy and the greenback's safe-haven status at times of geopolitical turmoil, one US dollar bought £0.80 at the end of 2024. Before the Brexit vote, it was valued at £0.60; before the financial crisis, it was worth £0.50. The view that the UK repriced quicker than other European markets following the recent interest rate hiking cycle has further boosted its attractiveness. Many US investors sensed 2024 as the bottom of the market and stepped up spending accordingly. This call is backed up by CoStar's data that showed yields stabilising or falling in all sectors in the second half of last year.

Buyer types

American private equity (PE) buyers have been particularly acquisitive. Four of the five largest transactions in 2024, amounting to £5 billion, involved Blackstone, Starwood Capital, KKR and CD&R-backed Motor Fuel Group. Hotels and mixed-use portfolios were PE firms' primary investment targets last year, while the industrial sector remained popular. Less was spent on office and residential buildings, echoing weak sentiment towards these sectors stateside. However, several bumper transactions in the London heartlands of Mayfair and St James's in the final months of the year suggested a growing appetite for prime offices, too, as the opportunity to pick up prestigious buildings at relatively low prices tempted more buyers.

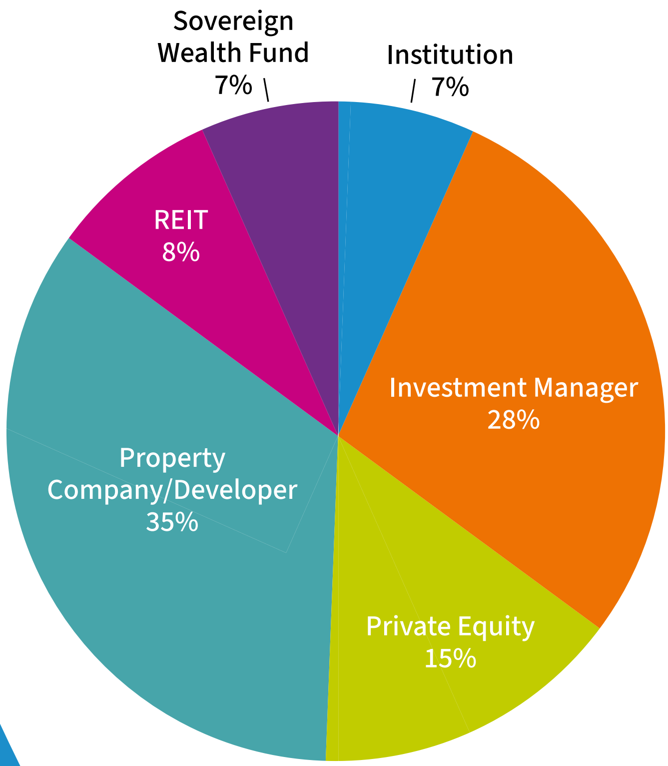


Chart 2: Investment by investor type

INVESTOR TYPE	INVESTMENT 2021-24
Property/Company/ Developer	£32.7bn
Investment Manager	£26.9bn
Private Equity	£14.6bn
REIT	£7.9bn
Institution	£6.3bn
Sovereign Wealth Fund	£6.2bn

Source: CoStar Group, February 2025

US REIT Realty Income has also been a significant force in recent years, spending around £5 billion on UK commercial properties since 2021. Unlike the PE players, it has focused heavily on the retail sector, particularly retail parks and supermarkets. It sees an addressable market of $8.5 trillion in developed European countries, with the UK accounting for nearly a third of the total. Towards the end of 2024, the group bought 3 St James's Square, a multi-tenant, core-plus office in London's West End, from a Hong Kong-based investor. Chinese and Hong Kong investors focused on selling last year, a sharp contrast from the record £8.2 billion spent by investors from these jurisdictions in 2017.

BPF commentary

The scale of investment from the USA into UK property is more significant compared to general levels of trade in goods and services trade between the two countries. In 2023, the USA accounted for 17% of all UK trade with other countries[3], but it accounted for 22% of all property investment. This most likely underplays the scale of US investment as the 2021-2023 average for US share of total property investment in the UK is 27%. No doubt the long shared history of culture, legal practice and language between the two countries play a key role in this, as well as financial fundamentals noted above, and this probably plays a part in making the UK the first port of call for US capital looking for a European destination.

The data however also shows the breadth of appeal for the UK property market across the globe. This suggests that as political and economic groupings and alliances shift it will remain possible to attract significant overseas capital into the UK with the right local and national political leadership and the right investible propositions. The BPF's role is to work with the Government to tell this story on the global stage.

3. Source: ONS statistics

Where are they investing?

Summary

London remains a magnet for global capital but the regions are catching up as investors target beds and sheds, and increasingly retail too.

Geography

Excluding multi-region portfolios, London attracts the lion's share of cross-border funds flowing into the country, thanks to its scale and liquidity. However, its popularity waned last year as both domestic and overseas investors pivoted away from offices. London investment volumes dropped 45% below the 2021-2023 average to £11.4 billion in 2024, with foreign buyers behind 39% of activity. Spending across the UK's other regions held up better at £17.3 billion, a level 28% below the average of the prior three years.

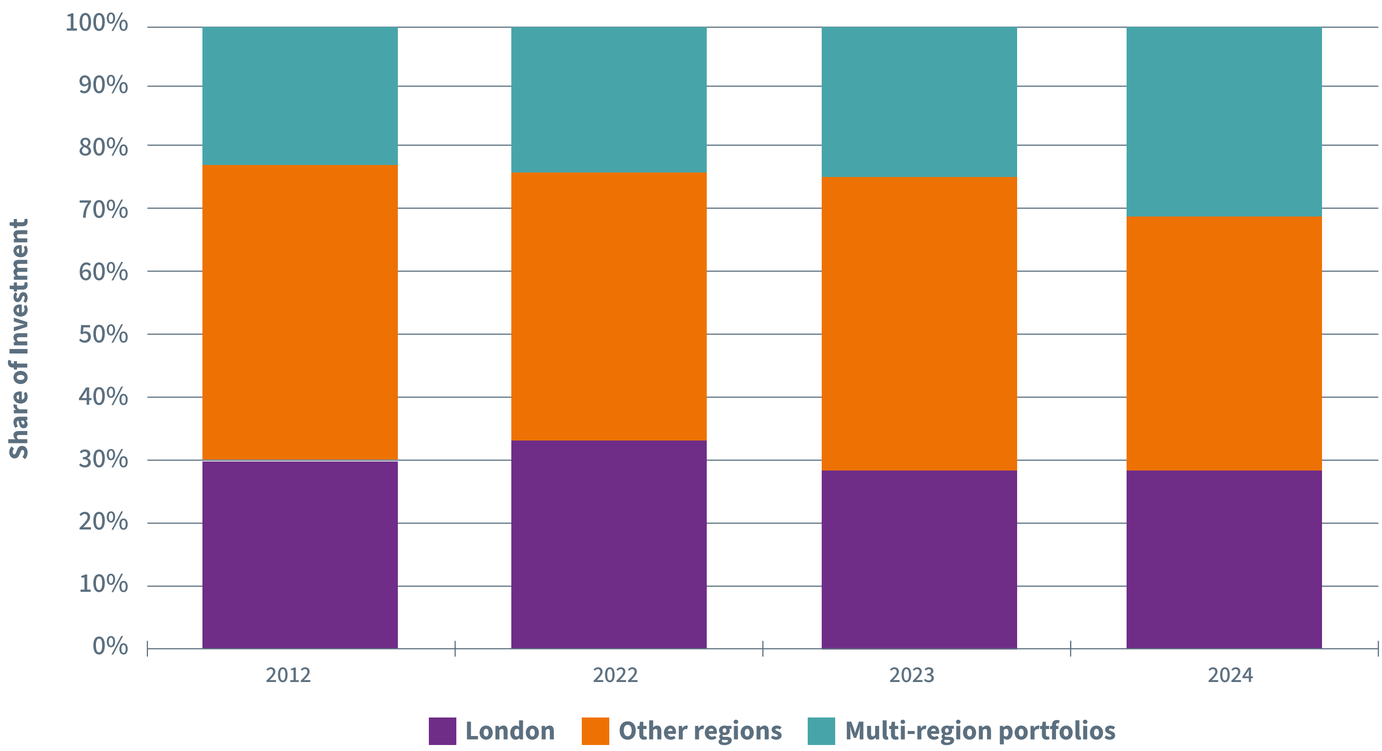


Chart 3: Share of investment by London/region/portfolio

Source: CoStar Group, February 2025

While the South East remains the preferred region for investment outside London, owing to its dynamic economy and proximity to the capital, changing investor preferences have allowed other regions to catch up. This can be partly attributed to weak investor appetite for out-of-town office buildings or parks, historically the South East's most popular asset type, at the expense of other regions' industrial and living sectors, favoured for their long-term structural tailwinds.

The maturing of the Build-to-Rent BtR sector and positive sentiment towards student housing are helping to support investment elsewhere in the UK. Manchester's thriving BtR market, fuelled by young professionals and families seeking high living standards at lower costs than London, has contributed to the North West's comparatively strong investment volumes. Together with the West Midlands, the North West has drawn more foreign capital than other regions outside of London and the South East over the past several years, thanks to the appeal of well-connected warehouses and the enduring popularity of Manchester.

In Scotland, transaction activity has held up comparatively well over the past couple of years, despite Holyrood's rent control policy deterring investment in BtR and the country's relative lack of logistics assets to satisfy investor appetites. The turning of the political tide north of the border has reduced the risk of independence, while softer pricing in the office sector has caught the attention of buyers from across Europe, particularly French SCPI funds. Aberdeen notably recorded its strongest year for investment since the oil price crash of 2014 as opportunistic investors snapped up office buildings at double-digit yields.

Asset classes

Falling prices have encouraged investment in retail, too. While supermarkets and retail parks remain popular for their defensive characteristics, sharp price declines have reignited investor demand for shopping centres, with many trading at more than 60% discounts to prior sale prices. Transaction volumes on prime regional high streets such as Buchanan Street in Glasgow have rebounded as investors eye reversionary opportunities following the pandemic-induced rebasing of rents. London's Bond Street has seen a flurry of deals with Blackstone's £227 million acquisition of 130–134 New Bond Street at a 3.5% yield, signalling a turning point for values on the country's most expensive shopping street.

While volumes have been relatively low in some parts of the country, multi-region portfolio transactions may somewhat mask the extent of regional investment. For example, Project Philadelphia, a sale-and-leaseback portfolio of 25 Asda supermarkets, was purchased by Realty Income for £650 million in the second half of 2024. It included assets in Scotland and Yorkshire. Assura's acquisition of Northwest Healthcare Properties' portfolio for £500 million, while weighted towards London, included several properties in the East of England.

Portfolio deals offer diversification and allow purchasers to efficiently deploy significant amounts of capital at a scale that may not otherwise be possible. Indeed, multi-region portfolio transactions are the dominant route for overseas money entering the UK. Around £13 billion was spent on these types of deals in 2024, a rise of 60% year-over-year and on a par with the 2021–23 average. Multi-region portfolios attract a relatively high 70%-plus share of overseas investment.

BPF commentary

As Chart 4 below demonstrates, offices and industrial have seen a declining share of transaction volumes since 2021. For the former, the pandemic and the post-pandemic world of work go a long way to explain falling investor appetite, as does the continued lack of policy certainty for those faced with the significant challenge of bringing older offices up to future environmental standards.[4] Given the scale of investment from the USA, where the office sector has been particularly challenged, it is perhaps unsurprising that transaction volumes have fallen so much.

The story for the industrial and logistics sector is possibly more surprising, given the sector's growth in recent years, and the increasing focus on logistics as critical supply-chain infrastructure. Transaction volumes by value were roughly half in 2024 of what they were in 2021. At the same time, it remains one of the most popular asset classes to transact, albeit somewhat eclipsed in 2024 by retail transactions. Investors are still attracted to the sector, however, and volumes picked up a little in 2024 compared to 2023.[5] It is likely that many owners were holding on to well performing assets rather than selling into a softer market.

Overall, the sector remains very strong, and is likely to remain so given the Government's laser focus on growth and the centrality of the industrial and logistics sector to delivering a modern industrial strategy.

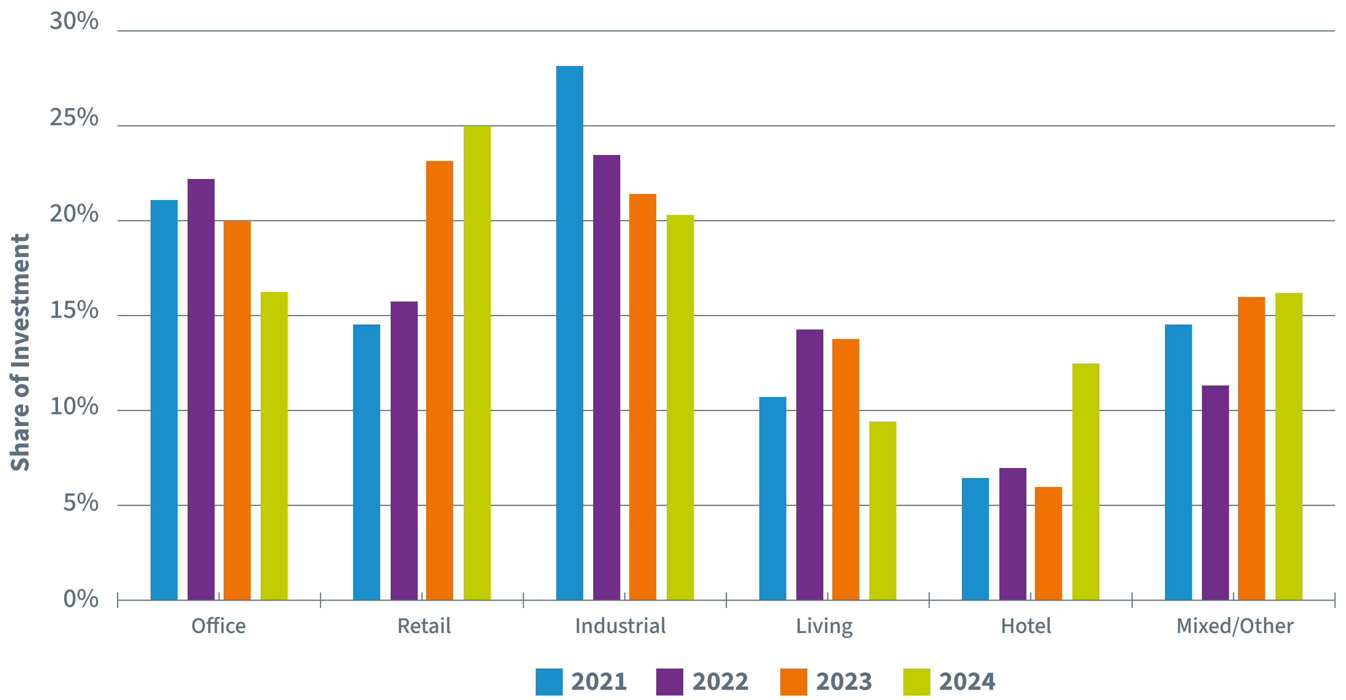


Chart 4: Share of investment by sector

Source: CoStar Group, February 2025

4: BPF - Manchester's commercial buildings top the league table in EPC ratings

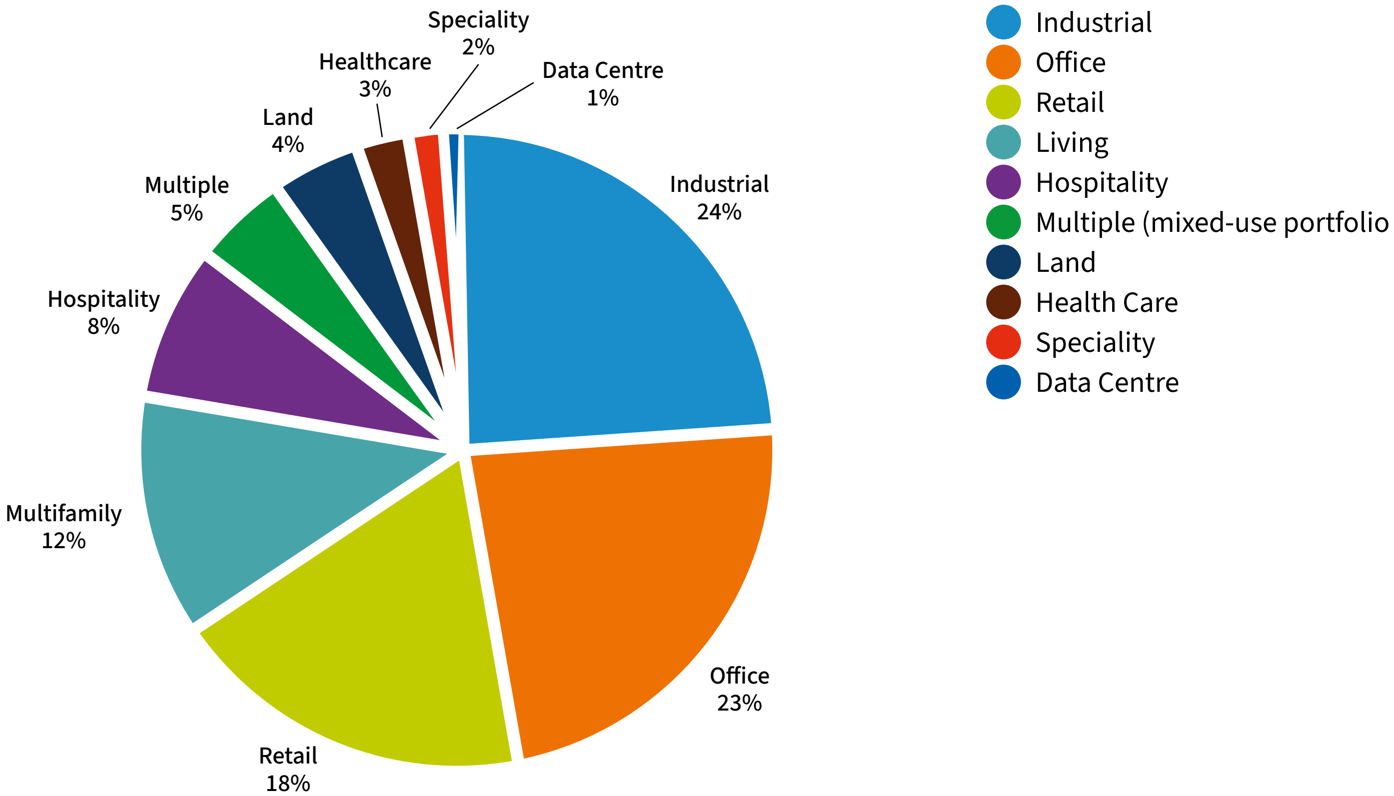
5: What is sustaining Industrial and Logistics investment and its interest as investors' preferred sector? | CBRE UK

The importance of the living sectors, primarily BtR but also Purpose-Built Student Accommodation and later living homes can be seen in Chart 4. It is now the fourth largest class of investment after the 'traditional' commercial property classes of industrial, offices and retail, and accounted for 12% of the value of all investment in 2021-24. When considering investment solely from overseas this rises to 16% (around £15 billion of inward investment), highlighting the role of international capital (often pension funds from North America), in funding new BtR homes. BPF members tell us that with a more supportive planning framework the number of homes built annually could double from around 15,000 to 30,000, or even higher, suggesting that there is an opportunity for a significant amount of available extra international capital to be deployed in the UK.

The 'return of retail' is notable in Chart 4. As suggested above, overseas investors in particular appear to think that the market has bottomed out after more than a decade of falling rents and capital values, and we are seeing more transaction activity, especially for the better performing retail parks but increasingly also for the more distressed shopping centre sub-sector.

Town centre regeneration remains a pressing issue in many locations, particularly outside major cities. Viability is the main challenge – land values don't support private sector investment in many places and require long-term public sector capital and a well-resourced and committed local government to deliver regeneration. We want to work in partnership with Government on its ambitions for town centre regeneration, to drive even more development capital into challenged locations.

Finally, it is worth noting the size of the data centre market. A large amount of attention has been devoted to these in the past two years. Data centres are crucial to support other sectors and are a fundamentally important element of modernising the UK economy. However, they only accounted for 0.8% of transactions by value between 2021-24, as Chart 5 below shows. This may in part reflect the fact that data centres at scale are a relatively new asset, and as yet there a few available to be transacted. As they are increasingly regarded as critical national infrastructure, it will be interesting whether a growth in data centres feeds through to our data over time.



Source: CoStar Group, February 2025

Chart 5: Percentage of UK investment by asset class 2021-24

Conclusions

Despite exceptional circumstances including a pandemic, the UK's exit from the European Union, and the war in Ukraine, the key themes the story of property investment in the UK over the past four years are surprisingly consistent.

The US is the UK's largest trading partner by country for all goods and services, and the volume of property investment is partcularly striking. London is the key destination for investment and is a gateway to the rest of the UK, but regional investment is growing. Logistics and industrial sectors remain the largest area for investment – and investor appetite – despite a slightly becalmed two years. The living sectors are an increasingly established part of international investment into UK property.

What does this mean for policy? The UK has always been an attractive destination for global investment and the Government must continue to promote our strengths and support key sectors including property to showcase the opportunities available. Key within that for property is the relationship with the US.

The Government should also ensure that London, as the gateway to so much global investment, remains an attractive proposition. Issues such as infrastructure (including transport) and digital connectivity, and adequate key services such as energy are key here. But we are already seeing the impact of devolution across England in allowing elected Combined Authority Mayors to attract significant global capital through the clarity of leadership and scale propositions they can bring to bear. Further devolution should allow more regions to tell their story effectively on a global stage.

This may be particularly important in the context of reinvigorating our town centres. The Government is currently reviewing its town centre regeneration policy but it's clear that the investment and much of the expertise needed will need to come from the private sector, particularly long-term patient capital, working with public sector partners.

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