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S A N D H Ü T E L · R E A L E S T A T E W E E K L Y

Week ending 22 May 2026 · sandhutel.com

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## ***Private Equity Is Doing What the Banks No Longer Can.***

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### THIS WEEK AT A GLANCE

- Aermont Capital agreed a £768m acquisition of Park Holidays, a signal that private equity is actively deploying into income-backed real estate while traditional lenders remain cautious
  - Debt funds now hold 31% of the UK commercial real estate lending market, up from 15% in 2020 — Basel 3.1 capital constraints are accelerating the structural shift away from banks
  - CPI fell to 2.8% in April but mortgage rates were unchanged week on week, underlining that the cost of capital is being shaped by funding markets not inflation alone
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Something structural is happening in UK real estate finance and this week made it clearer. Banks are not retreating from property lending because they have lost confidence in the asset class. They are retreating because regulatory capital requirements make real estate exposure increasingly expensive to hold on a bank balance sheet. Basel 3.1, with UK implementation confirmed for January 2027, will tighten that constraint further. **This is not a cyclical shift. It is a structural one, and it is reshaping who finances UK property and on what terms.**

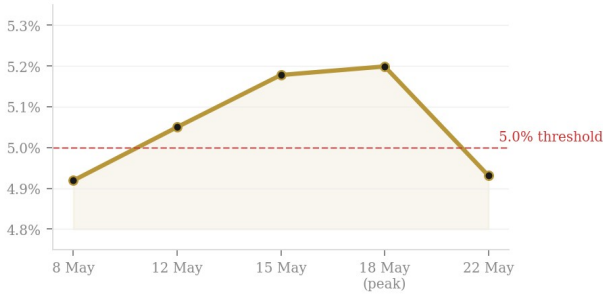
The numbers tell the story directly. Debt funds held 15% of the UK commercial real estate lending market in 2020. They now hold 31%. Together with insurers and other alternative providers, non-bank lenders account for 45% of outstanding UK CRE loans. New lending by non-bank lenders grew 51% in 2025 versus 29% for banks. That gap is not closing. It is widening. The banks that remain active are doing so more selectively, more cautiously and at higher margins than three years ago.

The Aermont Capital acquisition of Park Holidays for £768m is the most instructive deal of the week. This is a disciplined acquisition of an income-backed operational real estate platform with clear cash flow and structural demand from domestic leisure. **Private equity is not speculating. It is moving where the income story is clear and the return does not depend on capital growth.**

In London, Great Portland Estates this week reported strong leasing conditions and criticised the planning system, pointing to scarce prime supply and rising rents as the direct consequence of constrained development delivery. Prime West End office occupancy costs are now around £262.50 per sq ft per annum. **Financing costs, planning delay and regulatory load are suppressing the supply that demand is calling for.** Private equity understands this and is pricing for it.

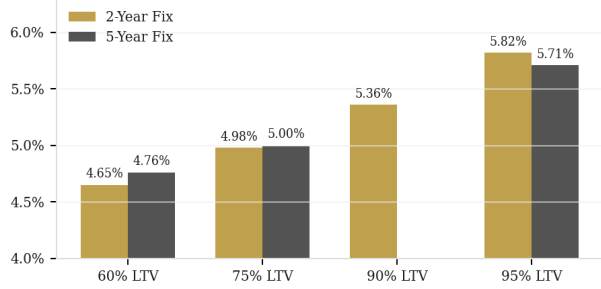
The residential picture adds context. RICS confirmed new buyer enquiries at -34%, agreed sales at -36% and three-month expectations at -32% in April. UK HPI for March showed prices flat annually at around £268,000. Rightmove's May asking prices rose 1.2% to £378,304 — the largest seasonal rise in a decade — but that gap between asking confidence and transactional reality is where the market lives. CPI fell to 2.8% in April and gilt yields retreated from 5.18% to 4.93% across the week, but mortgage averages were unchanged. The Renters' Rights Act information sheet deadline of 31 May is days away for landlords.

**UK 10-Year Gilt Yield**



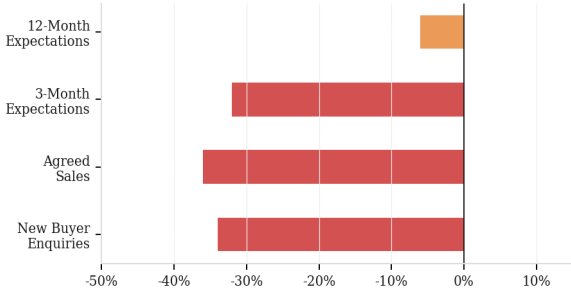
Source: Investing.com UK · Week ending 22 May 2026

**Fixed Mortgage Rates by LTV · Week ending 22 May 2026**



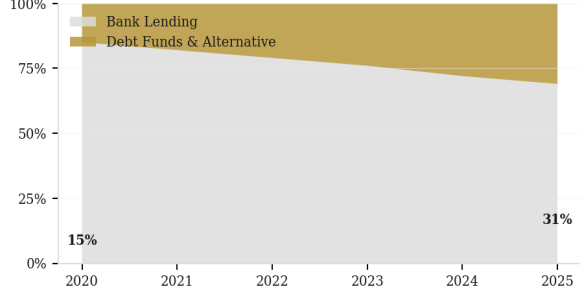
Source: Rightmove / Podium · Updated 21 May 2026

**RICS Residential Sentiment · April 2026 · Net Balance %**



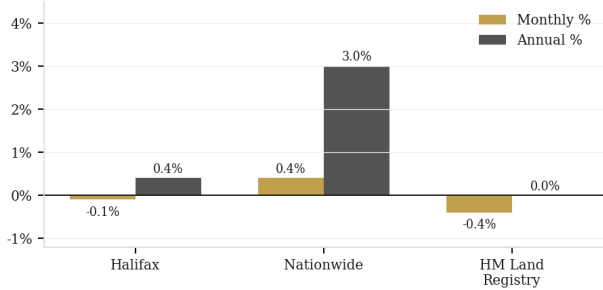
Source: RICS UK Residential Survey · April 2026

**UK CRE Lending Market Share · Banks vs Alternative Lenders**



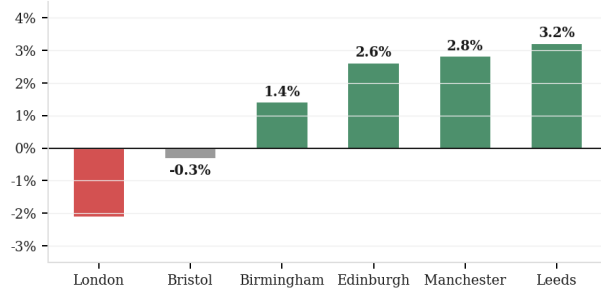
Source: Bloomberg / Bayes Business School · 2020 to 2025

**UK House Price Index Comparison · Latest Available**



Source: Halifax, Nationwide, HM Land Registry · Latest available

**Annual House Price Change by City · March 2026**



Source: HM Land Registry regional data · March 2026 · Edinburgh: Registers of Scotland

**KEY DATA POINTS**

Bank Rate

**3.75%**

UNCHANGED · Next MPC 18 Jun

CPI Inflation

**2.8%**

April 2026 · down from 3.3%

10-Yr Gilt Yield

**4.93%**

Down from 5.18% · w/e 15 May

Avg UK House Price

**£268,000**

HPI March 2026 · flat annually

Sources: Bank of England, ONS, Investing.com UK, Rightmove / Podium, RICS, Knight Frank, Bloomberg / Bayes Business School, HM Land Registry UK HPI. Data as at week ending 22 May 2026.

## MARKET COMMENTARY

***The question is no longer whether private equity will replace banks in real estate lending. It is how quickly.***

The transition from bank-led to private capital-led real estate finance is one of the most significant structural changes in the UK property market in a generation. It is not happening because private equity has discovered property. It is happening because the regulatory architecture is making traditional bank lending more expensive to provide and more constrained to deploy. Basel 3.1 raises the capital that banks must hold against real estate exposure, making the risk-adjusted return on property lending less attractive for banks and more attractive for lenders who operate outside those constraints. Debt funds, insurance companies and private credit vehicles do not face the same capital treatment. They can price for risk and deploy at scale without the regulatory overhead that increasingly limits what banks can do.

For developers, investors and landlords, this structural shift has direct practical consequences. Bank debt is available, but the credit committee conversation is harder, the covenants are tighter and the pricing reflects a more conservative risk assessment. Private credit fills that gap at a higher cost. **The deals that work are those where income fundamentals are strong enough to absorb the debt cost and still deliver a credible return. The deals that do not work are those that were only ever viable because bank money was cheap and capital growth was assumed.**

At Sandhütel, we have always believed that understanding the funding environment is as important as understanding the asset. The two are inseparable. As the lending landscape continues to shift, the ability to identify the right capital source, structure debt appropriately and stress-test returns at realistic costs is what separates a viable deal from an aspiration. The market is not closed. It is asking harder questions. The answers have to be grounded in evidence, not optimism.

## THE WEEK AHEAD

The HMRC April property transactions figure publishes on 29 May. Transaction volumes are the most honest indicator of where the market actually is, cutting through the noise of asking-price indices and sentiment surveys. If April volumes have held up, that signals genuine underlying resilience. If they have softened, it confirms that the gap between headline confidence and transactional reality is wider than the market is acknowledging.

Beyond that, watch for any lender repricing following the softer CPI print, and watch gilt yield direction as the market positions ahead of the 18 June MPC decision. Any further private equity deal activity in UK real estate will be worth tracking as further evidence of where disciplined capital is moving. The 31 May Renters' Rights Act information sheet deadline is days away. Any landlord who has not yet acted should do so now.

**David R. Sandhu**

*Founder & Principal at Sandhütel, a London based firm focused on strategic property investment, management and design.*