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SANDHÜTEL · REAL ESTATE WEEKLY
Week ending 29 May 2026 · sandhutel.com

What the Numbers Are Really Telling Us This Week.

THIS WEEK AT A GLANCE

- Bayes Business School confirmed 13% of tested UK CRE loans carry interest coverage ratios below 1x, against just 1% in 2016 — a deterioration that has happened quietly and will be tested loudly by the £33bn refinancing wall due this year
- HMRC's April transaction figure of 101,030 looks strong at first glance. Read it in context, alongside the April 2025 trough that followed the SDLT rush, and the picture is far more cautious than that headline figure implies
- UK private rents rose 3.5% annually in April. London recorded the weakest regional growth at 2.0% — the city that feels most constrained to buyers is also the one where rental growth is softest

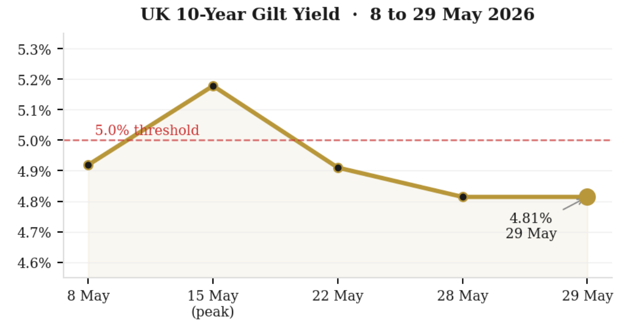
Last week I made the structural case that private capital is replacing banks in UK real estate lending, driven by regulatory capital constraints rather than sentiment. This week the Bayes Business School published the data that shows what that shift looks like under the surface. The headline market share numbers are significant. **The credit quality numbers are more important.**

Thirteen percent of tested CRE loans now run ICR below 1x, meaning debt service exceeds what those assets generate. In 2016 the figure was 1%. That deterioration happened gradually, across years of rising financing costs and softening income growth, and it sits inside loan books not yet tested by a maturity event. The £33bn of CRE loans maturing in 2026 will be that test. When those loans come to term, lenders decide whether to extend, restructure or enforce. Borrowers need terms in a market that looks nothing like the one in which those loans were written.

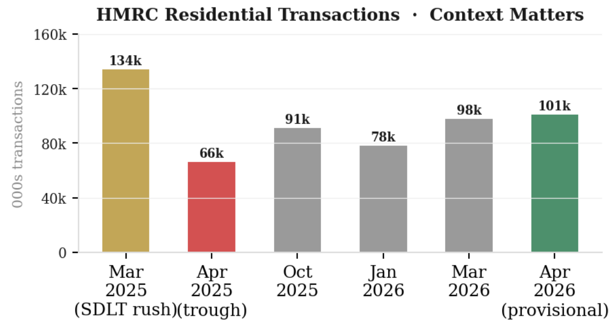
The HMRC April transaction data illustrates a different but related point about reading numbers carefully. 101,030 residential completions, up 53% year on year, sounds like a recovering market. It is not quite that. April 2025 was an artificial trough — transactions collapsed after the SDLT rush of March 2025, so the comparison base is unusually depressed. What Rightmove's May data tells you is more honest: 32% of homes currently listed have had a price reduction, and a reduced home takes 91 more days to sell on average. **The 53% year-on-year rise is a base effect. The 32% price reduction rate is the market.**

London continues to run its own numbers. Private rents rose just 2.0% annually in April, the weakest of any English region against a UK average of 3.5%. That is not a sign of a market where rental demand has eased. Supply remains acutely constrained. It reflects the affordability ceiling that London tenants have already hit. Rent can only rise as fast as tenants can absorb it, and in London that ceiling arrived earlier than elsewhere. For landlords, this matters: the era of rental growth doing the heavy lifting on returns is narrowing. **Asset quality, management and financing structure now carry the weight that rental growth used to.**

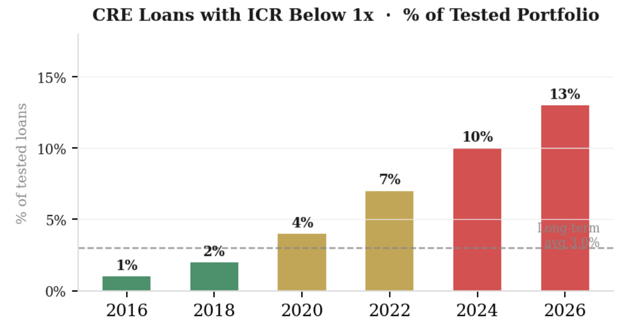
The Renters Rights Act information sheet deadline passed today. Any landlord who has not provided the statutory PDF to qualifying tenants is already in breach and faces fines of up to £7,000. The macro backdrop has shifted modestly. Gilt yields closed at 4.81% on 28 May, down from 5.18% three weeks ago. CPI is at 2.8% and mortgage approvals rose to 63,531 in March. The Bank of England has more room than it had a month ago. The Knight Frank construction PMI falling to 39.7 from 45.6 in April is the counterweight: development economics remain stretched regardless of what rates do.



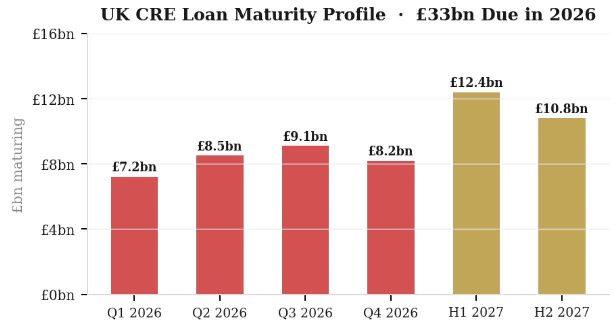
Source: Investing.com UK · Week ending 29 May 2026



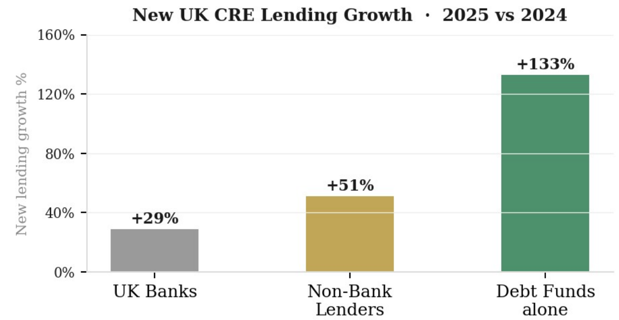
Source: HMRC Property Transactions · Published 29 May 2026



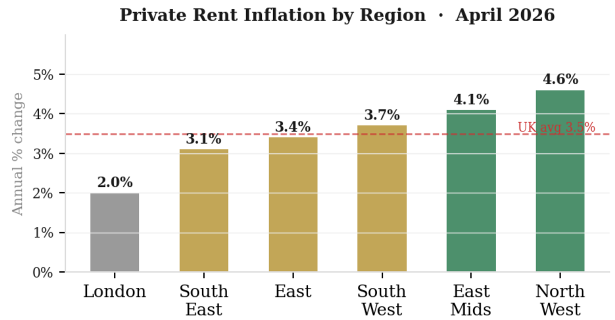
Source: Bayes Business School · May 2026 · Illustrative trend



Source: Bayes Business School · May 2026 · Indicative maturity profile



Source: Bayes Business School · 2025 vs 2024 new lending



Source: ONS Private Rent and House Prices · April 2026

KEY DATA POINTS

Bank Rate
3.75% ▬
UNCHANGED · Next MPC 18 June

CPI Inflation
2.8% ▼
April 2026 · down from 3.3%

10-Yr Gilt Yield
4.81% ▼
Down from 5.18% · 29 May

Avg UK House Price
£268,000 ▬
HPI March 2026 · flat annually

Sources: Bank of England, ONS, Investing.com UK, Rightmove, RICS, Knight Frank, Bayes Business School, HM Land Registry UK HPI, HMRC. Data as at week ending 29 May 2026.

MARKET COMMENTARY

> ***The stress is not in the headline default rate. It is in the 13% of CRE loans already running interest coverage below 1x. That is where the refinancing pressure will be felt first, and felt hardest.***

The ICR deterioration is not an abstract risk metric. It signals that a meaningful portion of the CRE lending market is already operating at the margin. When £33bn of loans mature in 2026, owners cannot simply extend on existing terms. They need to demonstrate the asset generates enough to support debt at current rates. In many cases it will not. The conversation becomes about injecting equity, accepting a lower loan, restructuring the debt or, in the most stressed cases, disposing of the asset.

For investors watching from the outside, this is where opportunity sits. Motivated sellers, stress-driven disposals and assets that need recapitalising are the conditions in which disciplined buyers with access to the right capital can acquire well. That does not mean buying distress indiscriminately. It means knowing exactly what a stressed asset is worth at current financing costs, having a clear view on how to stabilise it, and being able to move when others cannot. **The investors who have done that preparation will find the next twelve months more interesting than the headlines suggest.**

At Sandhütel, the approach has always been to understand the asset and the funding structure with equal rigour. In the current environment, that means being clear-eyed about what private credit costs, what bank debt requires and where the gap between an asset's income and its debt service actually sits. The market is not broken. It is asking harder questions. The answers reward preparation, not optimism.

THE WEEK AHEAD

The April HMRC transaction figure released today at 101,030 is provisional. Watch for the revision when it comes through, and read it alongside the SDLT distortion context before drawing conclusions about underlying market health.

The more immediate watch item is lender behaviour following the gilt yield retreat. With the 10-year closing at 4.81%, there is more room in swap rates than there was three weeks ago. Watch whether any lender moves on fixed-rate pricing before the 18 June MPC decision, and whether that creates competitive pressure across the market.

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