



# Market Update

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# Ashen Capital's UK Market Update

*"We always overestimate the change that will occur in the next two years and underestimate the change that will occur in the next ten"<sup>1</sup>*

With the conflict in the Middle East dominating headlines, this week in Cannes for the annual MIPIM conference may be more muted than normal. Uncertainty is abound and attempts to generate economic growth in the UK is being hampered by growing assertive isolationism from the USA, continued differences with the EU, the erosion of Prime Ministerial authority to lead a fragmented Parliamentary Labour Party, and the threat of further inflationary pressures driven by energy prices. Sometimes it's hard to see a reason to invest in UK Real Estate; however, Ashen Capital believes that not only does 2026 present a compelling opportunity, but existing asset owners' inaction is not an option. Some major challenges are coming, and the faster investor shift the focus of their portfolios, the more upside potential they will have.

## The Key Changes:

### Climate:

In 2025, Climate Change caused record rainfall in the UK and the second-worst harvest since records began. The UK imports 40% of its food from overseas, however, "every critical ecosystem [for food] is on a pathway to collapse (irreversible loss of function beyond repair)" and "without significant increase in UK food systems and supply chain resilience, it is unlikely the UK would be able to maintain food security [due to] geopolitical competition for food".<sup>2</sup> In terms of land, rising sea levels and surface water flooding will get worse, with affecting production and logistics, with 50% of the UK's roads and railways at risk from flooding by 2050.<sup>3</sup> We will need to generate more food from less land, which will be harder to move. At the same time, global migration to places like the UK will accelerate, as people in hotter or wetter parts of Asia and Africa seek alternatives.

<sup>1</sup> Quote: Bill Gates

<sup>2</sup> Source: Global diversity loss, ecosystem collapse and national security, HM Government 2025

<sup>3</sup> Source: Climate Change Committee 2025

**AI:**

The share of people employed in technology in the USA has been falling since 2023, with 25% of work tasks in Europe and the USA likely to be replaced with automation.<sup>4</sup> US technology company Block recently halved its work force as result of increased use of AI, leading to a 16% increase in the company's share price.<sup>5</sup> Graduate jobs fell in 2025 by 8% year in year,<sup>6</sup> as employers increasingly turned to AI to fulfil roles junior staff previously did. AI is increasingly being paired with robotics, allowing it to undertake a wide range of skilled and less skilled roles. The UK will need to adapt its tax system away from earned income to owned capital, especially for the owners of the AI business and related assets.

**Geo-politics:**

With increased geopolitical uncertainty, global defence spending increased by 10% year on year in 2025.<sup>7</sup> Three countries accounted for \$1.25trn or 50% of this (USA, China and Russia), whilst all of the NATO-aligned European countries combined accounted for c \$450bn.<sup>8</sup> The growth in defence spending is likely to continue as insecurity increases. An emerging multi-polar world, dominated by autocracies, make hard power the key national asset, with alliances of convenience replacing partnerships of conviction. A post Brexit UK is isolated from even being part of the EU, the weakest of the emerging power, although it does have greater freedom to work with the other power blocks (China/Russia or the USA) if it wishes to.

**Conclusion:**

The result is that the UK will experience significant changes in the next decade, physical, political, and societal. Real Estate investors can either ignore these changes, or react now to prepare themselves for this changing world. It's hard to be specific but below are some ideas.

<sup>4</sup> Source: How Will Ai Affect the Global Workforce? Goldman Sachs, 2025

<sup>5</sup> Source: Reuters Article "Block shares soar as Dorsey leans on AI to trim workforce" 27 February 2026

<sup>6</sup> Source: Institute for Student Employers October 2025

<sup>7</sup> Quote: Military spending worldwide hits record \$2.7 trillion, UN News 2025

<sup>8</sup> Source: Unprecedented rise in global military expenditure as European and Middle East spending surges, SIPRI, 2025



## What to buy:

1. **Residential-led assets**, including land, as this asset class should change more gradually, reducing depreciation costs. The UK may also be seen as a safer haven from climate change, which will drive continued migratory pressures.
2. **High-quality agricultural land** or other means of food production (greenhouses, etc.), the UK will need increased means of food production.
3. **Industrial and logistics facilities**, especially those near to UK critical defence infrastructure assets, such as factories, as existing facilities will need to grow.
4. **Access to power** or space to generate and store organic power (solar/wind), as this will be essential in the drive towards a more AI centric society.
5. **Operational Real Estate**, i.e. assets where you as manager operate them rather than lease them to a third party. Shorter leases (such as in residential assets) will give better protection against inflationary pressures and customer retention will be key in a competitive real estate occupier market.

## What to avoid:

1. **Flood risk**; it will get worse.
2. **Leverage**; this reduces room for manoeuvre as things change.
3. **Secondary assets**; as the world changes, these assets will cost the same as others to reposition but will be harder to lease up, creating greater void costs and lower exit values
4. **Offices**: whilst there is demand today based on a short term mispricing opportunity, in the long-term vacancy will rise rapidly.



*“Whilst growth is optional, change is inevitable”<sup>9</sup>.*

Real Estate, especially best-in-class real estate, can provide wealth preservation in a deeply uncertain world . It can also provide a source of stable income and in the case of selected sectors, capital growth opportunities. Ashen Capital firmly believes that now is the time to be proactive in creating portfolios that can and will deliver in the years ahead.

<sup>9</sup> Quote: John C Maxwell.

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