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The UK Investment Landscape 2026

Unlocking capital for growth

Foreword

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To deliver the British government's ambition for growth in every postcode, we need investment. Increasing investment levels across the country – for economic growth that is meaningfully national in character – therefore represents a central focus for the City of London Corporation.

It is the principle underpinning initiatives like InvestConnect, which will allow international investors to find and invest in local infrastructure projects that drive growth across all UK nations and regions. And it is the urgent challenge whose dimensions are illuminated in this year's UK Investment Landscape Report.

On one level, the report's findings reassure: in 2025, total investment in the UK increased from £3.9tn to £4.1tn.

This growth testifies to the continued resilience of the UK investment landscape – with its deep capital markets, large domestic savings base and established ecosystem for international investors. But sober examination of the headline increase reveals a more complex picture.

Although domestic investors increased their allocation to UK assets, we have lost ground on other fronts. Britain's share of global private equity and venture capital activity fell slightly over the period, accompanied by a decline in foreign direct investment (FDI) and a reduction in sovereign investors' UK allocation. Some of this is cyclical, but we must confront adverse trends early and return to first principles. We must strengthen the UK's offer to global investors and ensure that domestic capital is channelled more effectively into productive UK assets.

It is in this cause that the City Corporation will continue to champion a raft of measures designed to spur investment and connect capital with opportunities from Birmingham to Belfast, Liverpool to London, Manchester to Middlesbrough.

The investment capital is available. So are the growth opportunities. It is the shared task of HM Government, the financial and professional services industry and regulators to connect the two.

Introduction

This is the second year that the City of London Corporation has analysed the UK Investment Landscape. The first edition established a benchmark for the UK's strengths as a global investment opportunity; this edition assesses the direction of travel for domestic and international investment.

£4.1tn

Total investment in the UK in 2025, up £200bn on the year before.

The headline picture is positive. Investment in the UK rose by £200bn to £4.1tn in 2025, with asset managers, pension funds and annuity providers all increasing their UK holdings across a range of asset classes. This reinforces the scale and resilience of the UK's domestic investor base.

The government's growth ambitions will depend on mobilising both domestic and international capital. Investment is needed to finance infrastructure, support innovation, scale high-growth companies and raise productivity. The UK's advantage is that it combines a deep domestic savings pool with one of the world's leading international financial centres, bringing liquidity, expertise and global investor reach.

Domestic investors remain the backbone of the UK Investment Landscape. The UK pension industry is the fourth largest in the world but we cannot take it for granted. Defined Benefit (DB) pensions are shrinking while Defined Contribution (DC) pensions and Annuities are growing. This has potential to alter the UK pension asset allocation mix and availability of investment capital. DB pensions, DC schemes and annuity providers all increased or maintained significant UK allocations, demonstrating their importance to long-term investment.

International investors also remain central to UK growth, investing more than £100bn in 2025, including in infrastructure, private markets and growth companies. However, the UK is losing ground in some areas: its share of global private equity and venture capital fell from 11% to 9%, FDI declined by £14bn, and sovereign investor allocations fell by £3bn.

The UK has the capital, market depth and financial services expertise to turn investment into growth. The task now is to sharpen the UK's offer, crowd-in global capital, and channel more domestic savings into productive assets that strengthen the economy.

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The UK investment landscape: one year on

UK investment rose 5% in a year—from £3.9tn to **£4.1tn**—underscoring the market's depth, strength and global appeal. The chart to the right shows the flow from each investment source to its destination asset class.

Asset Managers

Asset managers increased UK investment by £154bn, driven by stronger flows and rising asset values. UK holdings grew 6% in 2025, compared with 12% growth in overseas investments. As the world's second-largest asset management centre, the UK asset management industry remains a major investor in productive domestic assets.[(1)]

DB Pensions

UK investment by DB schemes fell £27bn, broadly reflecting lower total AUM as annuity buy-outs, net benefit payments and continuing consolidation. UK holdings fell 3% in 2025, compared with a 10% fall overseas. DB schemes remain key buyers of UK government bonds, supporting lower and more stable long-term borrowing costs.[(2)]

DC Pensions

DC schemes increased UK investment by £55bn, narrowing the gap with DB schemes as DC assets grow. Their largest UK allocation is £156bn in investment-grade corporate bonds, making them important providers of capital to major UK companies. UK holdings grew 18% in 2025, while overseas holdings fell 6%.[(3)]

Annuities

Annuities increased UK investment by £32bn. Their 63% domestic allocation should remain high as DB schemes transfer into bulk annuities. Transfers have so far centred on smaller schemes: only 2% of schemes above £1bn have transferred. This is shrinking the DB market while expanding the insurance-backed annuity market, now worth £317bn.[(4)]

Sovereign investors

Sovereign wealth funds and overseas public pension funds reduced UK investment by £3bn. Higher private-equity and debt investment was outweighed by weaker infrastructure and listed-equity activity. Globally, sovereign investment rose from £169bn in 2024 to £215bn in 2025, while the UK share fell from 13% to 9%. Sovereign capital continues to finance strategic assets including Heathrow, Gatwick, National Grid and Rolls-Royce's small modular reactor programme. Activity is concentrated among a small group of funds, but average deal size reached $511m.[(5)]

FDI

UK FDI fell £14bn in 2025, with 51 fewer projects. The decline in FDI largely reflects volatile £1bn-plus megaprojects: several major data-centre investments recorded in 2024 were not repeated. EY's 2026 investor survey identifies geopolitics, the macroeconomic outlook and tariffs as the leading perceived risks, with investors viewing Europe and the UK as more exposed than other regions. Renewables attracted the most investment, rising £2bn to £21bn.[(6)]

Private equity and venture capital

UK private-markets investment fell £2bn but remained broadly stable. Mergers and acquisitions (M&A) dominated, attracting £38bn in 2025; Venture capital ranked second, with £8.5bn across 260 deals. Growth companies still attract less capital than early-stage firms and M&A targets, partly because suitable scale-up vehicles are limited. Institutional investors, including DC schemes, could help close this gap, but direct pension investment in UK growth equity remains rare. The British Business Bank (BBB) supported around 28,000 smaller companies with £6.8bn: £3bn from private investors, £1.2bn from BBB funds and £2.6bn through BBB-guaranteed lending.[(7)]

UK business

The National Wealth Fund committed £2.3bn across 19 UK investments through loans, equity and guarantees, helping to mobilise around £2.5bn of private finance. Investment by UK businesses, measured by gross fixed capital formation (GFCF) rose £13bn (4.3%) in 2025, driven by investment in buildings and infrastructure. Transport equipment investment fell over the year.[(8)]

Financing the UK's growth and filling the investment gaps

Financing government and public services

Strong demand for UK government bonds helps keep borrowing costs stable and preserves fiscal capacity. It underpins the government's 10-Year Infrastructure Strategy, backed by at least £252bn of investment in economic, housing and social infrastructure, while supporting productivity, jobs and public services.

UK government bonds remain the largest investment destination in the analysis. Holdings fell by £56.5bn, or 4.2%, to £1,285bn in 2025. Despite this decline, government bonds still account for a third of the £4.1tn captured in the analysis. DB pensions are the largest holder of government bonds. This significant investment needs to be monitored as DB pension liabilities are transferred to annuity providers.

Financing business growth

UK companies can rely on strong public and private markets to meet their capital needs. However, growth companies in the UK need £15bn a year[10] to meet their full potential to boost economic growth and provide jobs. **The Mansion House Accord** signatories and **Sterling 20** group of top institutional investors are supporting this drive to finance high-growth UK companies by committing to allocate 10% of assets under management, which could provide £25bn to UK growth companies.

UK public equities recorded the largest increase in the analysis, rising by £222bn, or 23%, to £1,178bn in 2025. Low pension fund allocations have not diminished the importance of public equities, which now account for 29% of total UK investment, making them the second-largest asset class after UK government bonds.

UK corporate bond investment remained broadly stable, declining by £9.6bn, or 1.3%, to £717bn. Corporate bonds account for 17% of the 2025 total and remain the third-largest asset class in the analysis. UK corporate bonds are the largest asset class held by DC pension funds.

Private asset investment increased moderately, rising by £8bn, or 5%, to £179bn in 2025. Although private equity and venture capital investment funds reduced investment in the UK by £2bn, pensions increased their private asset allocation by £26bn in 2025. This is a positive sign that pensions, particularly DC pensions, are responding to the needs of high-growth British companies.

UK business investment grew strongly, increasing by £46bn, or 16%, to £331bn. It accounts for 8% of the 2025 total, with its expansion providing a significant contribution to the overall £207bn increase across the asset classes covered.

Financing infrastructure and housing

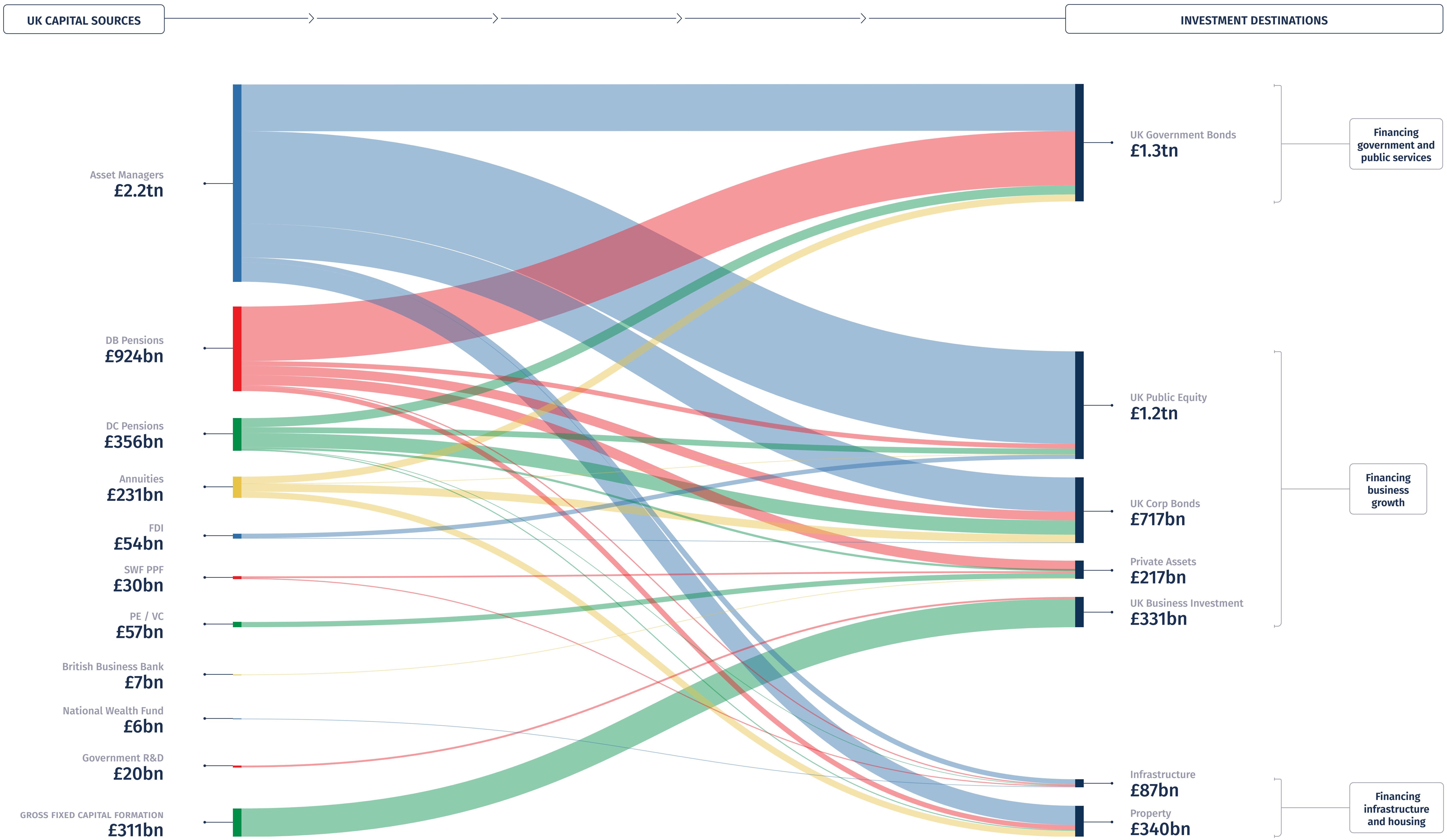
Private investment is essential for the UK's infrastructure needs. NISTA's latest update of the UK's Infrastructure Pipeline shows a need for crowded-in public and private investment of £466bn. InvestConnect, developed by InvestConnect Global Limited in partnership with the City of London Corporation, will connect domestic and international investors with UK infrastructure projects to support greater investment in critical infrastructure.

The Office for Investment: Financial Services - a public–private partnership launched by the City of London Corporation and HM Treasury, together with the PRA and the FCA - is set to boost FDI into the UK by £10bn. FDI is a direct injection of capital which provides growth across the economy and jobs across the UK. This is particularly important in directing investment across the North East which saw a decline of £4.5bn of FDI in 2025 compared to the previous five years.

Infrastructure investment recorded strong growth, rising by £13bn, or 24%, to £68bn in 2025. This was the fastest percentage increase among the asset classes in the analysis, although infrastructure remains a relatively small allocation at 2% of the UK Investment Landscape.

Property investment declined by £12bn, or 3%, to £340bn in 2025. This reflects lower property values. Despite this fall, property still accounts for 8% of the total.

The UK's capital sources and investment destinations



UK investment is growing — but not fast enough in the areas that matter most

UK investment grew by £200bn in 2025, but the headline masks a sharper challenge: the UK is losing share in key global investor pools. While the areas most critical to long-term growth — infrastructure and high-growth companies — still face major capital shortfalls.[5, 6, 12]

Last year, this analysis identified a £150bn investment gap across infrastructure and scale-ups. Investment has risen since then — but demand has risen faster.

– UK scale-ups need £15bn a year to fulfil their growth potential, drive productivity and create high-value jobs. **New City of London Corporation analysis[9] shows UK growth companies receive relatively less investment than venture-backed companies and buyouts.**

The UK's infrastructure deficit is holding back economic growth and adding pressure to public finances. To meet the government's target of £80bn of annual infrastructure investment by 2030, investment must rise by £5bn every year for the next five years.[11]

Infrastructure investment increased in 2025, but so did the capital requirement as project costs were updated on the government's Infrastructure Pipeline dashboard. NISTA[11] shows £466bn of crowded-in public and private investment is needed to meet the UK's infrastructure requirements.

– Together, infrastructure and high-growth companies need £150bn of additional investment by 2030.

International capital is essential to closing that gap, but the UK's share is slipping. In 2025, the UK attracted 9% of global private equity and venture capital investment, down two percentage points. Sovereign wealth funds and foreign public pension funds also reduced UK investment by £3bn. With the UK's share of global sovereign investor capital falling from 13% in 2024 to 9% in 2025.

FDI told a similar story. UK FDI fell by £14bn in 2025 as fewer £1bn+ megaprojects were launched, although the £54bn total remained in line with the five-year average. Financial services FDI remained stable, reinforcing the UK's strength as a global financial centre, but the fall in megaprojects — especially in Scotland and the North East — underlines the need to convert investor interest into larger, investable UK opportunities.

The City of London Corporation is turning investment appetite into UK growth

The City of London Corporation is responding directly to these challenges by connecting domestic and international capital with the UK infrastructure and financial services opportunities that can drive productivity, growth and regional investment.

– **InvestConnect** – announced at Mansion House in July, InvestConnect is designed to tackle the investable-project gap by connecting investors with critical UK infrastructure projects worth more than £100m. The three founding opportunity partners are the Scottish Government, Cornwall Council, and Liverpool City Region Combined Authority. It is a vital mechanism for directing investment across all UK nations and regions. Investors managing $3tn of global assets are helping shape the AI-enabled platform, which will launch in autumn 2026.

– **Sterling 20** – the delivery vehicle for the Mansion House Accord, launched by the City Corporation and HM Government. It brings together pension funds and insurers committed to investing 10% of default pension assets in private markets by 2030, with half allocated to UK private investment. The Accord is expected to unlock £25bn for UK infrastructure, housing, clean energy, innovation and high-growth companies by 2030.

– **Office for Investment: Financial Services (OFI:FS)** – a joint COLC and HM Treasury initiative operational within the City Corporation since October 2025, OFI:FS builds on the City Corporation's investment-hub blueprint. It acts as a concierge service for international financial services firms, bringing together government, regulators and industry to help firms establish or expand in the UK. OFI:FS aims to attract £10bn of additional international financial services investment by 2030.

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