

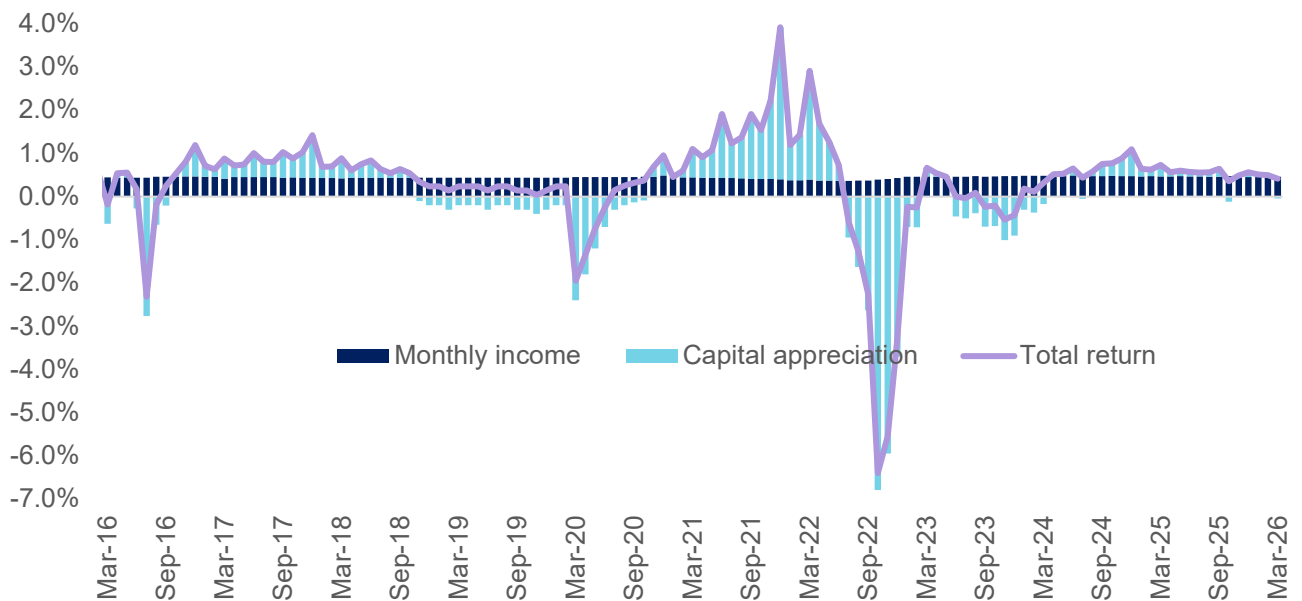
UK Real Estate: talking points

April 2026 (all data to 31 March 2026)

Welcome to Columbia Threadneedle Investments' concise quarterly snapshot of current real estate market trends, using transparent market data to summarise key implications for asset allocation and performance prospects.

Capital market context:

MSCI Monthly UK Property Index - income, capital and total returns



Finance:

5-year Gilt: 4.5%
5-year Swap: 4.2%



Real estate:

NIY: 5.2%
EQV: 6.9%



Spread: 2.4%
(5-year Gilt to EQV)





















Talking points:

- The Middle East conflict is yet to reach a conclusion, with a (recently extended) fragile ceasefire in place. Oil and gas prices are fluctuating, supply is limited and inflation set to remain stubbornly high, while growth slows.
- The interest rate trajectory has pivoted from rate cuts to the potential for rate rises to control inflation, generating volatility in financial markets. Markets are now pricing the base rate to remain at 3.75% for longer.
- Real estate markets have not (yet) been directly impacted by the market volatility, although market activity has slowed and financing costs (proxied by five-year swaps) are up around 50bps over the quarter.

Source: Columbia Threadneedle Investments, JLL and MSCI Monthly UK Property Index, as of 31 March 2026. Opinions, estimates, forecasts, projections and statements of financial market trends are based on market conditions at the date of the publication, constitute our judgment and are subject to change without notice. There can be no guarantee they will be met. Provided for information only, not to be construed as investment recommendation or advice. **Past performance is not a guide to future returns. Capital is at risk and investors may not get back the original amount invested. Not all investment ideas are suitable for all investors.**

State of the market:

Key sector metrics as of 31 March 2026

	Industrials 	Offices 	Retail 	Alternatives 
Headlines	Overall vacancy rate beginning to flatten. Rental growth has tempered but is still positive – location and asset selection more specific.	Demand is quality-led with Central London submarkets leading, while the repositioning of lower grade stock gains some traction.	A polarised sector with resilient demand for retail parks. Selective appetite for town centres and dominant regional shopping centres.	London hotels and key regional centres, along with residential led by single family housing, are seeing resilient appetite.
Vacancy* (By Market Rent)	9.8% 	21.4% 	5.1% 	2.3% 
Rental Growth* (Annualised)	4.3% 	2.9% 	1.7% 	1.6% 
Prime Yield Pricing** (Net Initial Yield, rack rented)	Logistics 5.25% 	London (City) 5.50% 	Out-of-Town 5.50% 	Student 5.50% 
	Multi-let 5.00% 	Regions 6.50% 	High Street 6.25% 	Hotels 6.25% 
Allocation	Targeted allocation to sector based on bottom-up fundamentals.	Highly selective: favour urban centres with repositioning potential.	Favour value-led retail offering resilient income with growth potential.	Favour strategic land and residential including student housing.

Talking points:

- UK real estate delivered a solid total return of 6.5% in the 12 months to March 2026. Rental growth was resilient across sectors and geographies and capital value growth strengthened, albeit selectively.
- Slower growth, shifting inflation and monetary policy expectations may affect pricing and financing conditions, but strong sector fundamentals, supply constraints and recovering investor appetite provide resilience.
- Investor demand is recovering from a cyclical low in 2023/24, with most investors having already ‘right sized’ their portfolios and now favourably considering new allocations to the asset class

Outlook in one line:

Geopolitical shocks influence the timing and pricing of real estate, not the direction of long-term supply and demand balance, which is driven by structural forces. Allocation to real estate needs to be precise, not generic. The risk is not volatility; it is ignoring long-term fundamentals during volatile periods.

Source: Columbia Threadneedle Investments, *MSCI UK Monthly Property Index and **CBRE Prime Yields, all as of 31 March 2026 unless stated otherwise. MSCI UK Monthly Property Index Vacancy rate and Market Value Rental Growth (Alternatives data is unweighted average Hotels, Residential, Other), as of 31 March 2026. Opinions, estimates, forecasts, projections and statements of financial market trends are based on market conditions at the date of the publication, constitute our judgment and are subject to change without notice. There can be no guarantee they will be met. Provided for information only, not to be construed as investment recommendation or advice. **Past performance is not a guide to future returns. Capital is at risk and investors may not get back the original amount invested. Not all investment ideas are suitable for all investors.**

Theme in focus: Retail Parks

Key statistics:

Vacancy rate ¹	4.3% (March 2020)	3.2% (March 2026)
Completions (sq ft) ²	-1,033,335 (2020-2025)	+300,000 (2026f-2030f)
Annual Total Return ¹	-9.7% (to March 2020)	8.0% (to March 2026)



St Catherine's Retail Park, Perth

House view:

- The UK retail warehouse market is supported by a very favourable imbalance of supply and demand. Vacancy is currently <3.2% (for comparison, high streets are around 15% and shopping centres around 9%) and is constrained by a very limited development pipeline, which is restricted by the planning regime and elevated construction costs.
- Retail warehouses disproportionately benefit from multiple occupational tailwinds: convenience / accessibility to consumers at a relatively low (per sq ft) rental price point, servicing omni-channel functionality (returns and 'click and collect') with the advantage of driving higher footfall levels to physical units.
- Retail warehouses offer a near-unique opportunity to deliver green energy infrastructure through the introduction of high cover PV and EV charging, which offers exciting additional revenue streams on top of the traditional property rental growth and has the potential to enhance returns from the sector over the next cycle.

Next quarter: Geopolitical update

About the Manager

Columbia Threadneedle Investments manages a diverse European platform with a team of property experts operating from offices in the UK, Germany and France. We are an **experienced**, **dynamic** and **responsible** manager, active across the full risk / return spectrum of the market, focused on delivering strong, consistent returns for clients.

We invest at **scale³**



£11.6bn
AUM



70+
Investment
professionals



850+
Properties



13,000+
Tenancies

- European Direct Real Estate Holdings
- European Direct Real Estate Offices
- Columbia Threadneedle Investments Offices



Source: Columbia Threadneedle Investments, as of 31 December 2025, unless stated otherwise. Past performance is not a guide to future returns. Capital is at risk and investors may not get back the original amount invested. Not all investment ideas are suitable for all investors.

1 – MSCI Monthly Digest, March 2026

2 – Property Market Analysis, Spring 2026

3 – As of 31 December 2025. Numbers are for the European direct real estate team

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