COLUMBIA THREADNEEDLE ALTERNATIVES

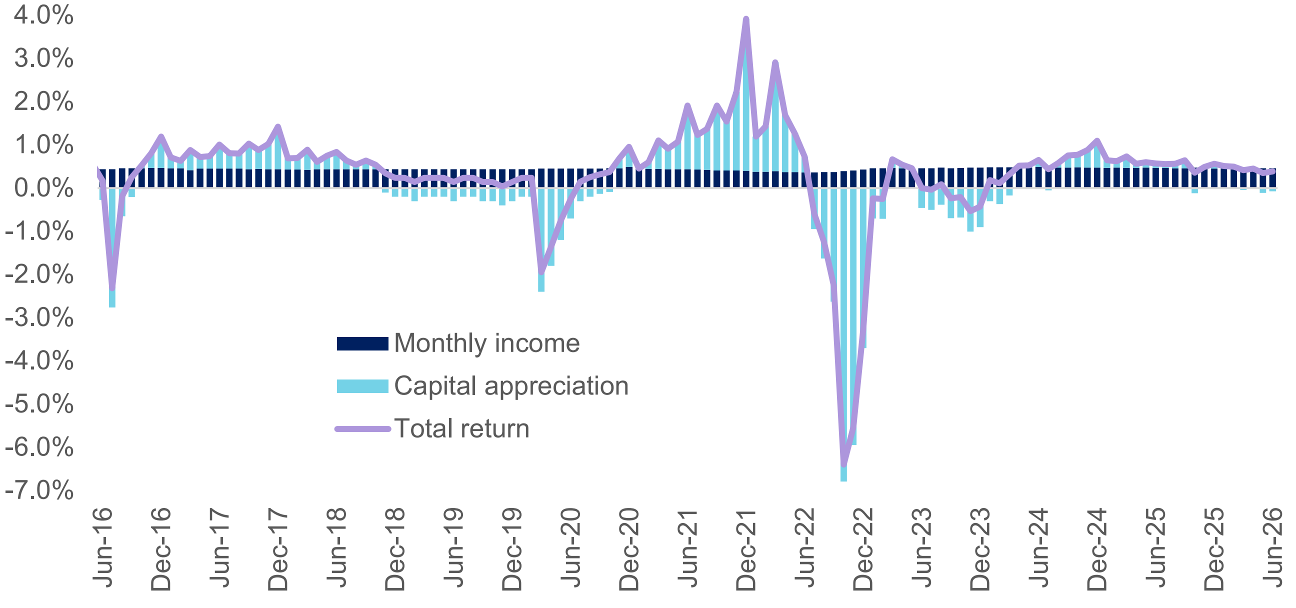
UK Real Estate: talking points

July 2026 (all data to 30 June 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: 4.3% 5-year Swap: 4.1%	**Real estate:** NIY: 5.3% EQV: 6.8%	**Spread:** 2.5% (5-year Gilt to EQV)

Talking points:

- The Bank of England rate hold at 3.75% in June sets the UK on a slightly different path to the ECB on monetary policy trajectory. Swaps still imply rate rises in H2 2026, which would leave real estate pricing spreads tight.
- Pricing in some parts of the market (logistics and living) is softening, reflecting lower rental growth expectations and tight yield spreads ('priced to perfection') – dragging down year-on-year total returns to 5.9%.
- Andy Burnham's coronation as UK Prime Minister will focus attention on the direction of fiscal policy required to tackle low growth, above-target inflation and debt headroom, ahead of the autumn Budget.

State of the market:

Key sector metrics as at 30 June 2026

	Industrials		Offices		Retail		Alternatives	
Headlines	Acquisition decisions must be selective as vacancy rises, but quality space still limited supporting positive, albeit moderating rents		The flight to quality remains a defining theme with Central London submarkets leading. Supply side constraints continue to support rents		A polarised sector with resilient demand for retail parks. Selective appetite for town centres and dominant regional shopping centres		Residential led by single family housing and hotels in London and key regional centres are seeing resilient appetite	
Vacancy* (By Market Rent)	10.8%		20.8%		4.9%		2.1%	
Rental Growth* (Annualised)	4.6%		2.9%		2.0%		1.8%	
Prime Yield Pricing** (Net Initial Yield, rack rented)	Logistics 5.50%		London (City) 5.50%		Out-of-Town 5.50%		Student 5.75%	
	Multi-let 5.25%		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:

- Capital values declined due to outward yield movements in industrial/logistics, regional offices and residential – but the impact was partially offset by latent rental growth.
- Retail continues to be a standout sector, with yields stable (off a low base) and rental growth improving.
- The UK real estate market remains bifurcated, with strong pricing for prime assets, resilient occupier markets and investors remaining cautious as values adjust outside core sectors.

Outlook – at a glance

While the ‘sheds and beds’ sectors continue to attract substantial investor interest and offer relative value, returns are likely to become increasingly driven by asset and location selection rather than broad thematic exposure alone. As the cycle evolves, we believe stock selection will be the key determinant of performance.

Source: Columbia Threadneedle Investments, *MSCI UK Monthly Property Index and **CBRE Prime Yields, all as at 30 June 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 at 30 June 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: Geopolitics - real estate implications

Key statistics[1]:

	2020 – 2025 p.a.	2026f	2026 – 2030f p.a.
UK GDP growth	3.2%	0.9%	1.4%
UK Inflation	4.9%	3.0%	2.3%
UK Interest rate (*average over period)	3.5%*	3.8%	3.1%*

- Geopolitical risk and trade disruption is generally accepted to have increased markedly through the period following the 2022 Russian invasion of Ukraine, forcing a revision of previous established thought regarding global supply chains.
- The Middle East conflict, alongside persistent inflationary pressures from higher energy costs, rising labour expenses and other cost-push factors, has influenced inflation expectations, weighed on growth forecasts (above) and is beginning to affect property pricing expectations.
- However, we expect some sectors to be net beneficiaries: an increased focus on supply chain resilience is likely to benefit logistics and retail warehousing (more goods needing to be stored in closer proximity to target markets), while heightened international tensions are likely to benefit defence adjacent sectors such as tech and manufacturing.
- At the same time, periods of market volatility might naturally support increased capital flows into transparent and stable investment market such as the UK and Western Europe – for managers able to take advantage of any pricing dislocation, this represents an opportunity to deliver performance over the next part of the cycle.

Next quarter: Residential

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 a full-service real estate equity manager – our local market experts are supported by the extensive resources of our global fund management platform

We invest at **scale**[2]

£11.4bn
AUM

70+
Investment professionals

800+
Properties

12,000+
Tenancies

Source: Columbia Threadneedle Investments, as at 31 March 2026, 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 – Oxford Economics, July 2026

2 - As at 31 March 2026. The numbers are for the European direct real estate team

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