

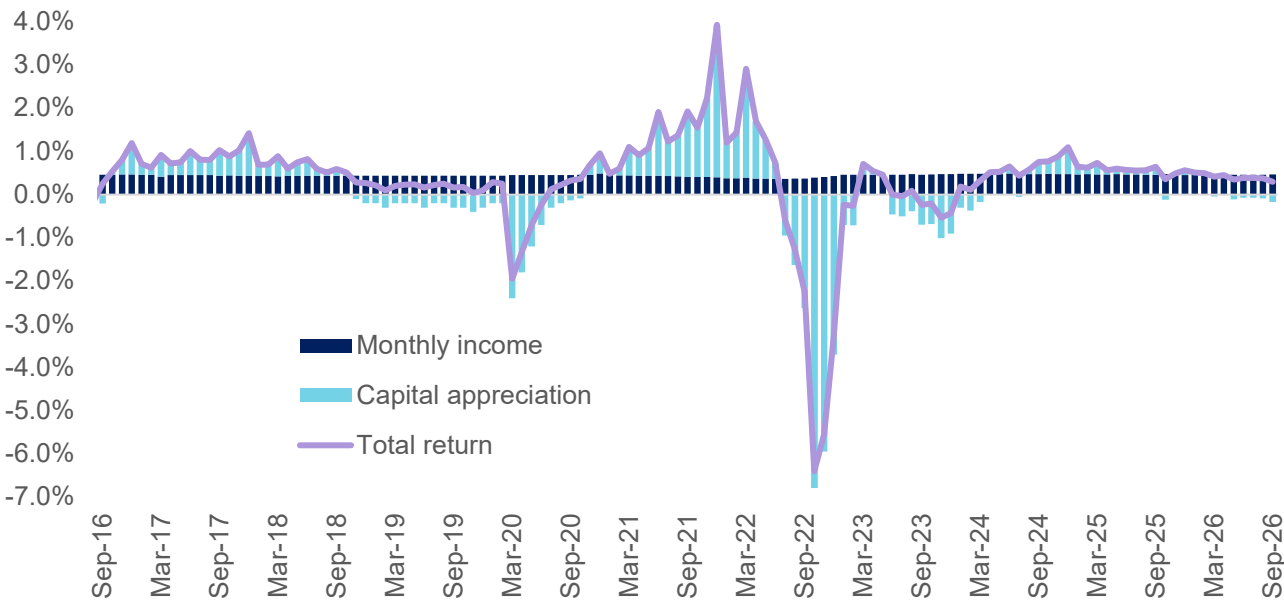
UK Real Estate: talking points

October 2026 (all data to 30 September 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: 5.0%
5-year Swap: 4.8%

%

Real estate:

NIY: 5.3%
EQV: 6.9%



Spread: 1.9%
(5-year Gilt to EQV)

Talking points:

- UK growth upgraded but the Bank of England faces a difficult balancing act between a softening labour market and rising energy-driven inflation, increasing the likelihood of an interest rate rise this year and possibly next.
- The Autumn Budget is likely to be a balance between growth ambitions versus limited fiscal headroom, higher borrowing costs and persistent inflation. This suggests a measured package rather than a large-scale stimulus.
- Higher bond yields are pushing yields out, reflected in a circa 0.3% decline in capital values in Q3 2026. Investor focus is shifting back towards income resilience and supply-constrained opportunities.

Source: Columbia Threadneedle Investments, JLL and MSCI Monthly UK Property Index, as of 30 September 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 at 30 September 2026

	Industrials 	Offices 	Retail 	Alternatives 
Headlines	Selective acquisition remains essential. Demand is resilient but the release of secondhand space is moderating rental growth.	Flight to quality is intensifying market polarisation. Limited quality supply supports rents but secondary faces obsolescence risks.	Retail parks remain the standout, with constrained supply supporting rents. Prime shopping centres recover and some high streets.	Structural undersupply and demographic demand support living and healthcare. Hotels still attracting capital.
Vacancy* (By Market Rent)	11.0% 	19.6% 	5.1% 	2.1% 
Rental Growth* (Annualised)	4.3% 	2.9% 	1.5% 	2.0% 
Prime Yield Pricing** (Net Initial Yield, rack rented)	Logistics 5.50% 	London (City) 5.65% 	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:

- Higher 'risk-free' returns on government bonds are seeing real estate yields reprice upward to maintain an attractive risk premium. Retail yields are holding firm while we are seeing a softening in other sectors.
- Occupier markets are resilient with all-property rents rising by 0.7% and positive income returns supporting a total return of 1.1%. Retail was the standout sector, especially retail parks and strong shopping centres.
- Elevated financing costs remain a headwind, but well-priced, high-quality assets offer an increasingly attractive entry point. However, expect some further repricing for secondary assets and markets.

Outlook – at a glance

UK real estate remains supported by resilient occupier demand and rental growth – but asset valuations are shifting to reflect a more pessimistic macroeconomic and financing environment. As such, returns are increasingly driven by asset selection rather than broad thematic exposure. Viability impairments on new development/construction activity is sowing the seeds for future rental growth.

Source: Columbia Threadneedle Investments, *MSCI UK Monthly Property Index and **CBRE Prime Yields, all as of 30 September 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 30 September 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: Residential

Key statistics:

	2021 - 2025 pa (average over the period)	2026f	2027f	2028f
UK interest rate ¹	3.50%	4.00%	4.25%	3.25%
CPI inflation ¹	5.00%	3.2%	3.2%	1.6%
Average earnings (including bonuses) ²	5.8%	4.0%	3.5%	3.0%
Housing Starts England (000s) ²	149	130	145	170
Rental growth (UK) ^{3 & 4}	c. 6.0%*	3.5%	3.0%	2.5%



- Increasing amounts of capital are targeting large, stabilised build-to-rent (BTR) portfolios as a source of diversified income while avoiding exposure to development risk in a sector with strong, long-term tailwinds.
- Rental growth is showing signs of moderating from the strong year-on-year increases seen in the recent past, but acute supply constraints should underpin continued inflation-linked growth going forward.
- Higher barriers to homeownership, such as mortgage costs and deposit requirements, continue to delay purchases, keeping households in the rental market for longer, supporting long-term demand.
- Supply remains tight as private landlords exit and development viability constrains the institutional rental pipeline. Across the UK, over the next five years an annual average of just 12,800⁵ new BTR beds are expected to be delivered, a level far below the average previously seen.
- The number of buy-to-let landlords that have also been redeeming their mortgages since the start of 2016 has reached 675,000, further highlighting the scale of the supply shortage and exacerbating the supply/demand dynamic.

Next quarter: Offices

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 **scale⁶**



£11 bn
AUM



70+
Investment
professionals



750+
Properties



12,000+
Tenancies

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



Source: Columbia Threadneedle Investments, as of 30 June 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; 2. Capital Economics; 3. UK Office for National Statistics; 4. JLL; 5. UK Residential Forecasts Q4 2026, CBRE and 6. As of 30 June 2026. Columbia Threadneedle numbers are for the European direct real estate team.

Disclaimer

For use by professional clients and/or equivalent investor types in your jurisdiction (not to be used with or passed on to retail clients)

This document is intended for informational purposes only and should not be considered representative of any particular investment. This should not be considered an offer or solicitation to buy or sell any securities or other financial instruments, or to provide investment advice or services. Investing involves risk including the risk of loss of principal. Your capital is at risk. Market risk may affect a single issuer, sector of the economy, industry or the market as a whole. The value of investments is not guaranteed, and therefore an investor may not get back the amount invested. International investing involves certain risks and volatility due to potential political, economic or currency fluctuations and different financial and accounting standards. The securities included herein are for illustrative purposes only, subject to change and should not be construed as a recommendation to buy or sell. Securities discussed may or may not prove profitable. The views expressed are as of the date given, may change as market or other conditions change and may differ from views expressed by other Columbia Threadneedle Investments (Columbia Threadneedle) associates or affiliates. Actual investments or investment decisions made by Columbia Threadneedle and its affiliates, whether for its own account or on behalf of clients, may not necessarily reflect the views expressed. This information is not intended to provide investment advice and does not take into consideration individual investor circumstances. Investment decisions should always be made based on an investor's specific financial needs, objectives, goals, time horizon and risk tolerance. Asset classes described may not be suitable for all investors. Past performance does not guarantee future results, and no forecast should be considered a guarantee either. Information and opinions provided by third parties have been obtained from sources believed to be reliable, but accuracy and completeness cannot be guaranteed. This document and its contents have not been reviewed by any regulatory authority.

In UK: Issued by Threadneedle Asset Management Limited, No. 573204 and/or Columbia Threadneedle Management Limited, No. 517895, both registered in England and Wales and authorised and regulated in the UK by the Financial Conduct Authority.

In the EEA: Issued by Threadneedle Management Luxembourg S.A., registered with the Registre de Commerce et des Sociétés (Luxembourg), No. B 110242 and/or Columbia Threadneedle Netherlands B.V., regulated by the Dutch Authority for the Financial Markets (AFM), registered No. 08068841.

In Switzerland: Issued by Threadneedle Portfolio Services AG, Registered address: Claridenstrasse 41, 8002 Zurich, Switzerland.

In the Middle East: This document is distributed by Columbia Threadneedle Investments (ME) Limited, which is regulated by the Dubai Financial Services Authority (DFSA). For Distributors: This document is intended to provide distributors with information about Group products and services and is not for further distribution. For Institutional Clients: The information in this document is not intended as financial advice and is only intended for persons with appropriate investment knowledge and who meet the regulatory criteria to be classified as a Professional Client or Market Counterparties and no other Person should act upon it.

In Singapore: Issued by Threadneedle Investments Singapore (Pte.) Limited, 3 Killiney Road, #07-07, Winsland House 1, Singapore 239519, which is regulated in Singapore by the Monetary Authority of Singapore under the Securities and Futures Act (Chapter 289). Registration number: 201101559W. This advertisement has not been reviewed by the Monetary Authority of Singapore.

In Hong Kong: Issued by Threadneedle Portfolio Services Hong Kong Limited 天利投資管理香港有限公司. Unit 3004, Two Exchange Square, 8 Connaught Place, Hong Kong, which is licensed by the Securities and Futures Commission ("SFC") to conduct Type 1 regulated activities (CE:AQA779). Registered in Hong Kong under the Companies Ordinance (Chapter 622), No. 1173058.

In Australia: Issued by Threadneedle Investments Singapore (Pte.) Limited ["TIS"], ARBN 600 027 414. TIS is exempt from the requirement to hold an Australian financial services licence under the Corporations Act 2001 (Cth) and relies on Class Order 03/1102 in respect of the financial services it provides to wholesale clients in Australia. This document should only be distributed in Australia to "wholesale clients" as defined in Section 761G of the Corporations Act. TIS is regulated in Singapore (Registration number: 201101559W) by the Monetary Authority of Singapore under the Securities and Futures Act (Chapter 289), which differ from Australian laws.

This document may be made available to you by an affiliated company which is part of the Columbia Threadneedle Investments group of companies: Columbia Threadneedle Management Limited in the UK; Columbia Threadneedle Netherlands B.V., regulated by the Dutch Authority for the Financial Markets (AFM), registered No. 08068841.

Columbia Threadneedle Investments is the global brand name of the Columbia and Threadneedle group of companies. © 2026 Columbia Threadneedle. All rights reserved.