

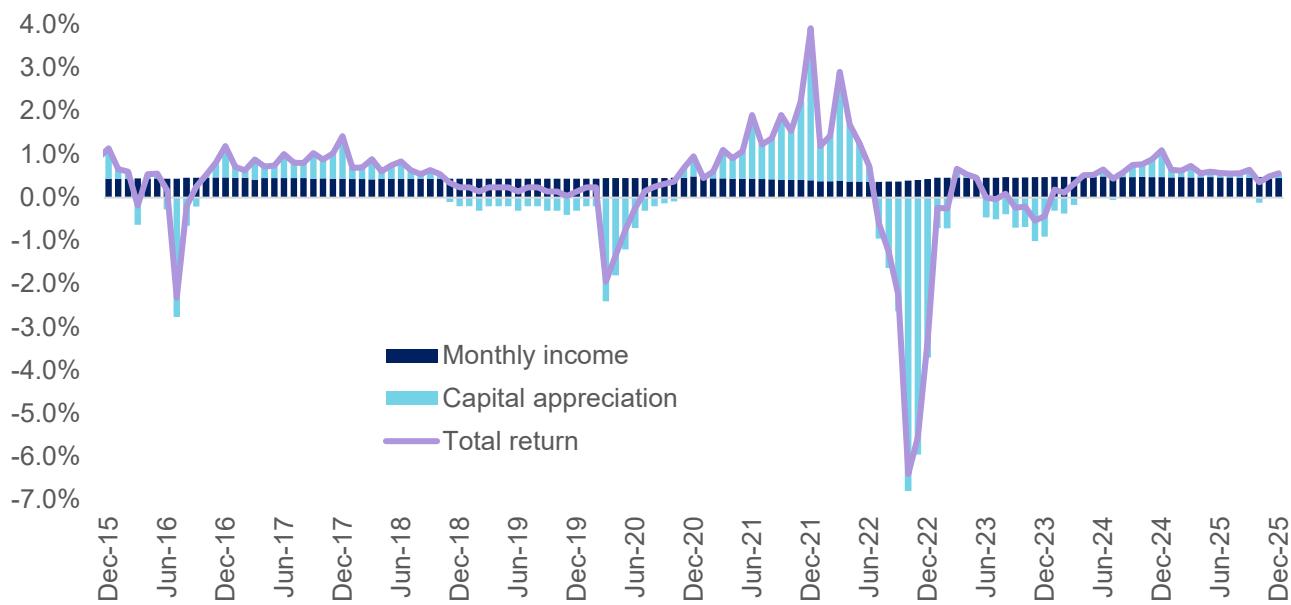
UK Real Estate: talking points

January 2026 (all data to 31 December 2025)

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: 3.9%
5-year Swap: 3.7%



Real estate:
NIY: 5.2%
EQV: 6.9%



Spread: 3.1%
(5-year Gilt to EQV)

Talking points:

- The Bank of England cut rates by a quarter point to 3.75% in December as it looked to boost a weakening economy, rising unemployment and sticky services inflation. Two 25bp rate cuts are anticipated in 2026.
- Inflation rose to 3.4% in December after reaching an eight-month low of 3.2% in November. This is expected to be temporary and inflation should continue its downward trend – but is likely to remain above the 2% target.
- Geopolitics do not appear to be deterring financial markets as uncertainty becomes more part of the “new normal” operating environment. The FTSE reached its highest level ever in January 2026.

Source: Columbia Threadneedle Investments, JLL and MSCI Monthly UK Property Index, as of 31 December 2025. 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 December 2025

	Industrials	Offices	Retail	Alternatives
Headlines	Rental growth remains positive but is tempered by vacancy rates trending up in pockets.	High quality stock still in demand with London leading the way. Repositioning opportunities gaining traction in lower grade properties.	Retail parks still interesting. Appetite for town centres and dominant regional shopping centres is growing, albeit on a selective basis.	Stronger demand for hotels in London and key regional centres, along with residential led by single family housing.
Vacancy* (By Market Rent)	11.6% 	22.6% 	5.3% 	2.4% 
Rental Growth* (Annualised)	4.7% 	3.5% 	1.9% 	2.0% 
Prime Yield Pricing** (Net Initial Yield, rack rented)	Logistics 5.25% 	London (City) 5.50% 	Out-of-town 5.50% 	Student 5.25% 
	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 good amenities and accessibility.	Favour value-led retail offering resilient income with growth potential.	Favour strategic land and residential including student housing.

Talking points:

- UK real estate delivered another solid total return of 7.1% in 2025* (versus 7% in 2024*), supported by positive rental growth across sectors and geographies.
- The legacy poor perception of real estate is being challenged by these positive performance data, and the expectation is that more international capital will return to the market over the course of 2026.
- Rental growth continues to surprise on the upside – while accelerating across offices and retail it is stable in other sectors. Although industrial market rental growth is slowing, it remains above the pre-Covid average.

Outlook in one line:

Investor sentiment is more positive heading into 2026 – reflecting both solid historic returns and improved confidence in forward-looking expectations of income-led growth (rather than assumptions underpinned by yield compression). We expect retail to be the standout sector this year, as capital returns at greater scale.

Source: Columbia Threadneedle Investments, *MSCI UK Monthly Property Index and **CBRE Prime Yields, all as of 31 December 2025 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 December 2025. 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: Leisure

Key statistics¹:

	Dec 2024	Dec 2025
Vacancy rate	5.4%	6.2%
Annual Income Return	8.4%	8.2%
Annual Total Return	3.1%	6.4%



The Exchange, Aylesbury

House view:

- Over the 12 months to December 2025 the leisure sector delivered a total return of 6.4%, ahead of the 3.1% in the previous 12 months. The performance was underpinned by a robust income return of 8.2% (high yield rather than growth), significantly outperforming the all-sector value of 5.7%.¹
- Inbound visits to the UK increased by 5% in 2025, generating an estimated £33.7 billion in visitor spending. Inbound tourism is expected to rise by 32% between 2024 and 2030² and underscores the long-term demand profile for leisure assets.
- The market is navigating complex changes, with consumer spending showing resilience despite a persistent inflation-adjusted cost-of-living squeeze. While there has been a tightening in overall discretionary spending, some sectors such as culture, sports and fitness are thriving. Experiential, high-quality and wellness-focused leisure experiences are driving growth.

Next quarter: Retail Parks

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 **scale**³



€13.8bn
AUM



71
Investment professionals



850+
Properties



12,500+
Tenancies

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



Source: Columbia Threadneedle Investments, as of 30 June 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 – December 2025.

2 - VisitBritain, Oxford Economics – Economic value of tourism in the UK - January 2026.

3 - As of 30 June 2025. The numbers are for the European direct real estate team.

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