

Commercial quarterly examiner

Economy | Offices | Industrial | Retail | Outlook

Q1 | 2026



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1. Key takeaways

The outlook for the UK economy, inflation and interest rates is uncertain amid the conflict in the Middle East. The closing of the Strait of Hormuz to international shipping and damage to some of the oil and gas infrastructure around the Gulf. Even if the conflict ended today, the damage caused to critical oil and gas infrastructure and the supply side shock suffered to date suggest that oil-market disruption may continue for several months, with some price and risk effects plausibly lasting into next year. Signs of a persistent inflationary reaction to the conflict will put increased pressure on central banks to raise base rates.

As the crisis develops the UK's CRE market is slowing. All Property total returns of 0.4% in March, as recorded by the MSCI Monthly Index, were amongst the weakest of the last two years. Sentiment has weakened but the market is not yet in negative territory. The direct impact of the war on pricing has been negligible so far but that may not be the case if fighting drags on and the Strait remain closed. In Q1, rolling 3-month UK commercial real estate performance remained static. All Property total returns, as recorded by the MSCI Monthly Index, increased very slightly to 1.43% from 1.42% in Q4. Capital growth showed no change over the quarter after a rise of just 4bps three months earlier. All Property total returns decreased to 6.5% from 7.1% in the year to December and in the year to date have further decreased to an annualised rate of 5.9%.

Volatility returned to the world's financial markets in Q1. In the immediate aftermath of the outbreak of the conflict in the Middle East, the MSCI world index fell -8.9%. Despite the huge uncertainties, financial markets are pricing in the Strait of Hormuz opening soon. The index has recovered 11.4% since the end of Q1 and is now 5.0% higher year-to-date. Bond markets have taken a very different approach to the conflict. After the opening shots were fired, yields rose by 80bps for short-dated Gilts and 60 bps or more for maturities of ten years and longer. Unlike equity markets, there has been no recovery in pricing. The yield on 10-year Gilts was 5.02% in mid-April after almost nine weeks of fighting and is now nearing the level reached in 2007.

Last quarter's expectations of a benign economic and interest rate outlook supporting stronger commercial property market performance have been dampened. In the absence of an immediate ceasefire and free access for shipping through the Strait, our base forecast has been reduced to 6% in 2026 and 7% over the three years to end of 2028, assuming that there is no monetary tightening. With strictly limited capital growth in the forecast, income is the main driver which benefits the higher yielding segments.

2. The UK economy

- UK GDP surprised on the upside and is estimated to have grown by 0.5% in February. However, the IMF expects net energy-importing countries like the UK to suffer a larger negative effect from the conflict in the Gulf.
- Business optimism at UK private sector firms has fallen and respondents to April's S&P Global UK PMI suggest that rising price pressures have dampened their business activity expectations for the year ahead.

The conflict in the Middle East has caused loss of life and widespread economic disruption. The Strait of Hormuz remain closed, and the US navy is blockading Iranian ports. Even if the conflict ended today, the damage caused to critical oil and gas infrastructure and the supply side shock suffered to date suggest that oil market disruption may continue for several months, with some price and risk effects rippling into next year.

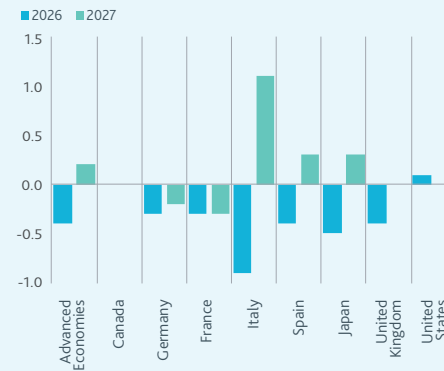
In April's World Economic Outlook (WEO) subtitled, "Global Economy in the Shadow of War", the IMF has downgraded its 2026 global growth base forecast by 0.2% to 3.2%. The forecast for 2027 remains unchanged at 3.2%, but lower than the 2024-25 average of 3.4%. Global inflation forecasts have been

increased to 4.4% in 2026 and 3.7% in 2027. Under an adverse scenario with larger and more persistent increases in energy prices, global growth would slow further to 2.5% in 2026, and inflation would reach 5.4%. In an even more severe scenario with more damage to energy infrastructure in the Gulf region, global growth would be cut to only about 2% in 2026, while headline inflation would be 6% or higher by 2027.

For advanced economies, growth is projected to be 1.8% in 2026 and 1.7% in 2027. Net energy-importing countries in the Euro area and UK are expected to suffer a larger negative effect. Growth in the euro area is expected to decline to 1.1% in 2026 and 1.2% in 2027. In both years the forecasts have been downgraded by 20bps. In the UK, economic growth of 1.3% in 2025 is expected to decline to 0.8% in 2026, representing a 50bp downward revision relative to last October's forecast, recovering to 1.3% in 2027. UK inflation is expected to pick up again toward 4% before returning to target by the end of 2027 as the effects of higher energy prices fade and a weakening labour market exerts downward pressure on wage growth.

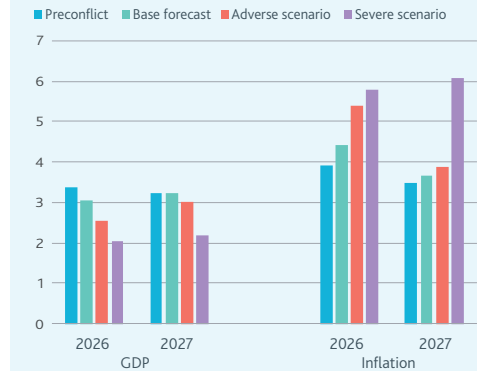
UK GDP surprised on the upside in February and is estimated to have grown by 0.5%, following growth of 0.1% in January and growth of 0.1% in December 2025. In the three

Actual GDP % growth and MPC forecasts



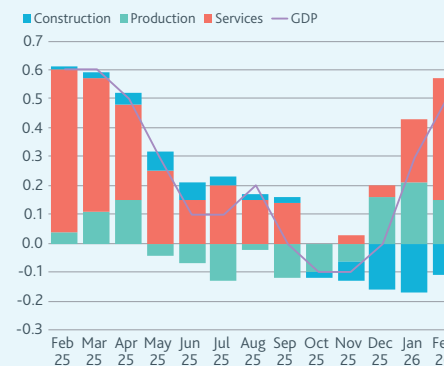
Source: IMF, Apr 2026

GDP forecast scenarios



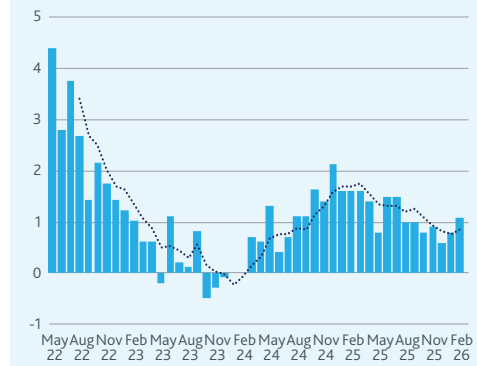
Source: IMF, Apr 2026

GVA% (quarterly growth)



Source: ONS, Apr 2026

UK annual % economic growth



Source: ONS, Apr 2026

months to February, GDP is estimated to have also grown by 0.5% compared to the previous three-month period, following growth of 0.3% in the three months to January and no growth in the three months to December 2025. The largest contribution to the quarterly growth once again came from the service sector. The production sector has recovered from the sharp fall in the manufacture of motor vehicles caused by the Jaguar Land Rover cyberattack and grew by 1.2% in the three months to February. Construction output decreased by 2.0% in the three months to February 2026 compared with the three months to November 2025 as new private housing work fell by 6.5%. The Government's target of building 300,000 homes a year remains challenging.

Over the longer term, GDP is estimated to have grown by 1.1% in the 12 months to February, compared with the same period twelve months a year ago. Services grew by 1.4% but construction shrank by -0.9% and manufacturing output declined -0.5%.

April's Monetary Policy Report from the Bank of England notes that the conflict in the Middle East has significantly increased the uncertainty surrounding the UK economic outlook and presents three scenarios. The scenarios primarily differ in their assumptions about the paths of global energy prices and the extent of any second-round effects on domestic price and wage-setting.

Scenario A assumes that there are no new second-round effects because of the increase

in energy prices. In Scenario B, higher energy prices raise short-term inflation expectations, leading to second-round effects. But those effects are modest. Scenario C is more severe.

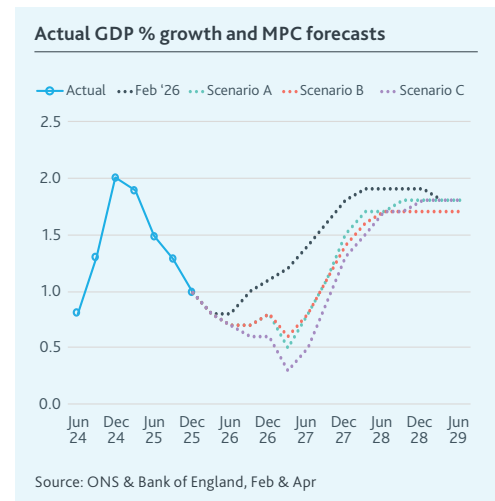
All scenarios reflect the likelihood of a slowdown in economic activity. In Scenario A, four-quarter GDP growth slows to 0.5% in 2027 Q1 before recovering to 1.8% by the end of the scenario period. Whereas in the most severe, Scenario C, the combination of high and persistent energy prices, elevated global export prices and strong second round effects, alongside the impact of the higher yield curve, results in a marked deterioration in activity. Four-quarter GDP growth falls to 0.3% in 2027 Q1.

The annualised average forecast over the next three years decreases from 1.6% in February to 1.3% under Scenarios A and B and 1.2% under Scenario C.

A warning of the approaching headwinds for the UK economy was provided by April's S&P Global UK PMI. The headline seasonally adjusted Composite Output Index increased to 52.0 in April from 50.3 in March, indicating a moderate expansion of UK private sector business activity. However, input cost inflation continued to accelerate sharply and was the highest since November 2022. This was led by a rapid increase in raw material prices in the manufacturing sector. Service providers also experienced a surge in cost pressures, largely due to higher fuel prices. The acceleration in service sector cost

inflation since March was the greatest for a single month since this index began in July 1996.

Business optimism at UK private sector firms fell to its second-weakest level since December 2022; a low point only exceeded by the US tariffs-related slump in confidence seen last April. Survey respondents suggested that rising price pressures had dampened their business activity expectations for the year ahead. Worries about the impact of geopolitical tensions on supply chains, consumer confidence and business investment were also widely reported in April.



3. Inflation and prices

- Recent Consumer Price Index (CPI) data indicate that the ongoing conflict in the Middle East may be influencing inflation trends, with 12-month inflation increasing to 3.3% in March from 3.0% in February.
- Signs of persistently higher inflation may lead to higher interest rates.

The latest CPI numbers hinted at the likely direction of travel caused by the conflict in the Middle East as 12-month inflation rose to 3.3% in March from 3.0% in February. Transport and, in particular, motor fuels made the largest upward contribution to the monthly change in annual CPI rates. The average price of petrol rose by 8.6 pence per litre between February and March 2026. The increase in Transport prices was the highest annual rate recorded since December 2022 when global oil prices were driven higher after the Russian invasion of Ukraine.

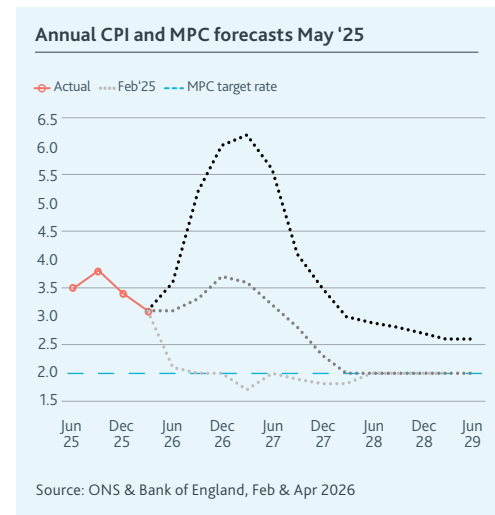
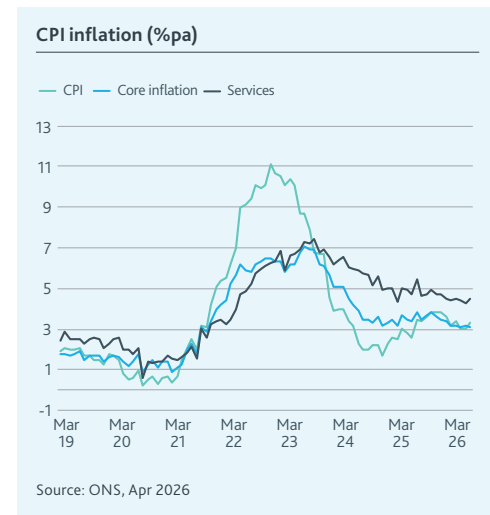
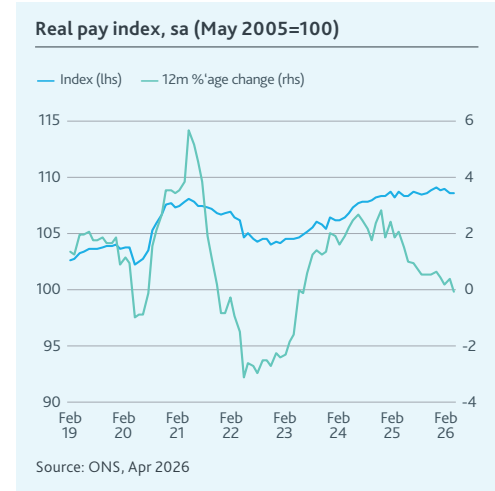
Core inflation excluding energy, food, alcohol and tobacco continued to fall, reaching 3.1% in December, but this remains above the 2.1% average registered between the Global Financial Crisis (GFC) and the pandemic. Service sector CPI inflation remained stable at 4.5% over the course of Q1. Annual wage growth excluding bonuses continues to slow

decreasing to 3.6% in the three months to February, compared to 4.5% in the three months to November. On a real basis, average pay decreased by -0.3% in the year to February threatening the return of a cost-of-living crisis. In different circumstances this would support the case for further monetary loosening.

Across the three scenarios presented in the MPC's April report, inflation is higher in the near term than the central projection in the February Report. The outlook varies depending on the magnitude of the energy shock. Larger and more persistent rises in global energy prices are judged to lead to bigger second-round effects on inflation. Given the inflationary nature of the energy price shock, the monetary policy stance needs to be tighter on average in these scenarios compared with the central projection in the February Report, and materially so for a scenario in which there is a further sharp rise in energy prices and strongly persistent second-round effects.

The appropriate path for Bank Rate will vary depending on how the shock evolves. In Scenario A, CPI inflation rises to 3.6% at the end of 2026. In Scenario B, inflation peaks at similar levels. However, in Scenario C, inflation peaks at 6.2% in 2027 Q1 and remains above target for the entire scenario period.

The market-implied path for interest rates has increased significantly since the February report. But the possibility of further increases in Base Rate depends on how the crisis evolves. In the short term, the weak outlook for UK economic growth makes a renewed tightening of monetary policy implausible. However, the impact on the economy and inflation will depend on how much energy prices increase and how long they stay raised; it will also depend on how much pressure businesses feel to increase wages and prices. Although monetary policy cannot affect global energy prices, signs of persistently higher inflation may lead to higher interest rates.



4. Stock markets, interest rates & asset yields

- Despite the huge uncertainties, financial markets are pricing in the Strait of Hormuz opening soon. However, the Bank of England has warned that global stock markets are overvalued and poised for a potential fall.
- Bond markets have taken a very different approach to the conflict. Unlike equity markets there has been no recovery in pricing. The yield on 10-year Gilts of 5.02% in mid-April after almost nine weeks of fighting is now nearing the same level reached in 2007.

Volatility returned to the world's financial markets in Q1. The MSCI World Index has large and mid-cap representation across 23 developed markets. It also has 72% exposure to the US markets and 27% to IT with a 24% exposure to the so called "Magnificent 7". In Q1 the index shrank by -3.2% in USD terms and -4.7% on a hedged GBP basis, as the pound depreciated by -1.9% over the last three months.

In the USA, the tech-focused NASDAQ fell by -10.0% in Q1 while the broader-based DJIA and S&P 500 shrank by -5.8% and -7.2% respectively. The market had reached a record high by mid-January supported by solid economic fundamentals and investors

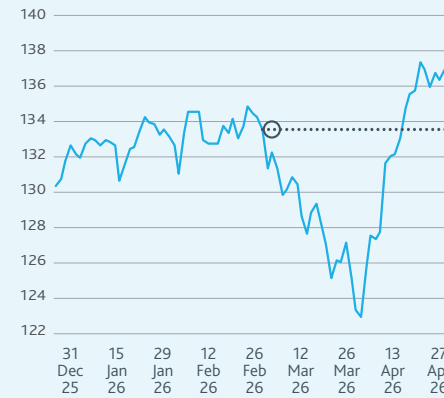
anticipation of continued earnings growth. Following US and Israeli strikes on Iran, investor sentiment vacillated between hopes for de-escalation and fears of a prolonged conflict. Having fallen by -8.9% after the Iran conflict started, the MSCI World index recovered 11.8% and is currently 4.3% up in the year-to-date as equity investors optimistically assume a short end to the conflict.

Deputy Governor Sarah Breeden of the Bank of England, responsible for financial stability, this month (April) warned that global stock markets are overvalued and poised for a potential fall. Current, near-record high valuations do not properly reflect significant risks, such as geopolitical tensions and private credit vulnerabilities, making a market "adjustment" likely.

The broad-based Eurofirst 300 index gave up -1.8% in Q1 with the declines concentrated in March following the outbreak of hostilities in the Middle East. The UK's FTSE 100 rose by 2.0% in Q1. Gains were supported by the relatively large weighting of the energy sector, along with weaker sterling which helped export-oriented larger companies.

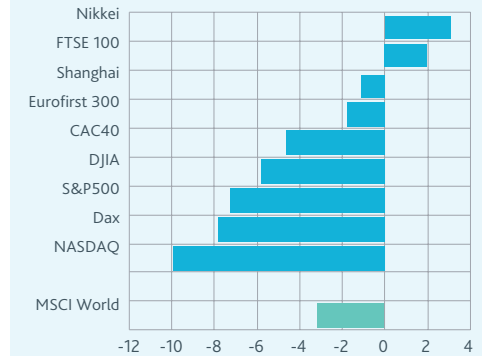
Information technology stocks declined during Q1 even though many companies reported solid revenue growth. The software

MSCI World index in 2026



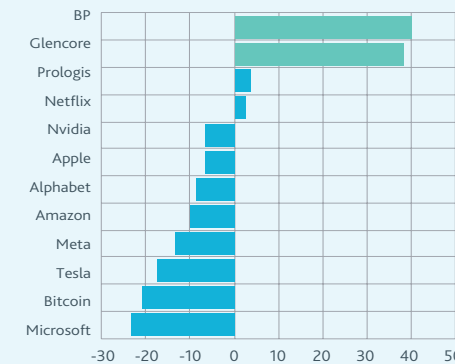
Source: iShares, April 2026

World stock markets in Q1 2026 (%'age growth)



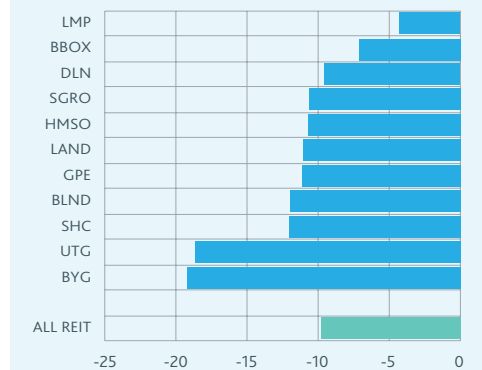
Source: Yahoo Finance, April 2026

Tech & other selected stocks in Q1 2026 (%'age growth)



Source: Yahoo Finance, April 2026

UK REIT price movement in 2025 (%'age growth)



Source: Yahoo Finance, April 2026

sector was particularly hard hit. Investors rotated towards AI infrastructure businesses such as semiconductors, cloud computing and data-centre providers, and away from traditional software stocks over concerns that generative AI could undermine the software-as-a-service subscription model the industry has relied on for years. Not unexpectedly, the energy sector has benefitted from higher oil prices as the conflict prevents shipping from transiting the Strait of Hormuz, restricts the supply of oil by producers and destroys critical infrastructure. In the UK, BP gained 40.1% in Q1 and Glencore, a natural resource company and a major producer and marketer of more than 60+commodities, advanced 38.3%.

The upwards momentum of the FTSE REIT index enjoyed at the end of last year continued into the early months of 2026 as real estate equity prices rose by 8.6% through to the end of February but fell -17.0% in March and ended the quarter down by -9.9%.

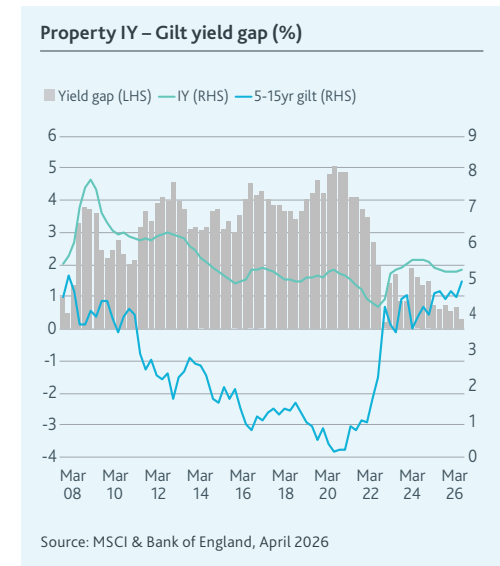
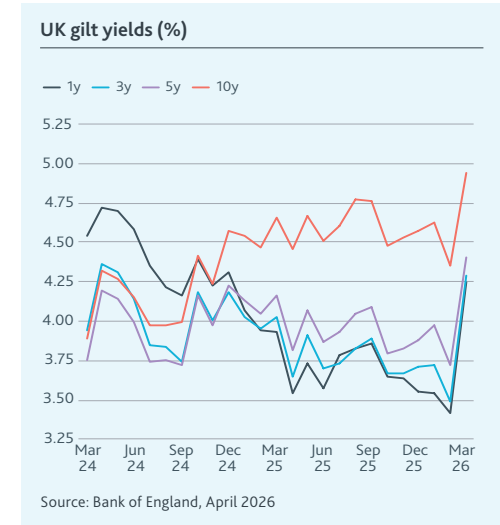
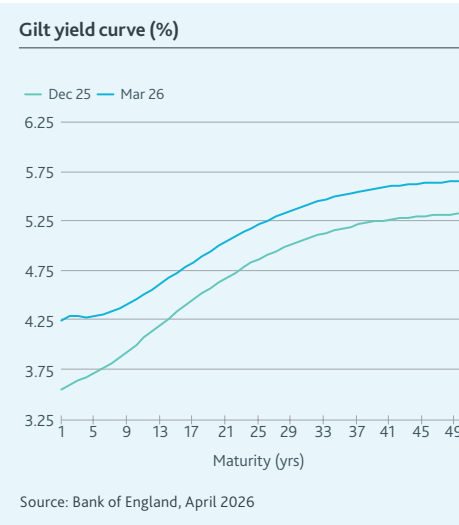
Investors marked down UK real estate equities in Q1 2026 primarily due to a resurgence in inflation fears ending expectations for multiple interest rate cuts in 2026. Investors moved from pricing in a gradual easing cycle to anticipating “higher-for-longer” rates or even further hikes to combat renewed inflationary pressure. While rental growth remained resilient in

some areas, the lack of previously anticipated yield compression caused annual capital value growth expectations in the underlying assets to be reduced. At the end of Q1 the sell-off left the dividend yield on the REIT index at 6.2%

Segro, an owner, manager and developer of industrial and warehouse assets is the UK’s largest REIT by market capitalisation. Although its share price ended Q1 down -10.6% it recently reported that, “the Middle East conflict has, so far, had no discernible effect on our leasing momentum and the health of our diverse customer base remains strong...” It reported £23 million of new headline rent contracted during the first quarter, including £11 million from the letting of vacant space in the existing portfolio and £12 million of development lettings. Rent reviews, lease renewals and regears in the UK generated an uplift of 38%.

British Land with a portfolio focused on office-led campuses in Central London, retail across the UK and London urban logistics issued an updated trading statement for the financial year ended March 2026. The statement highlighted a strong year of leasing with near record low availability supported by strong occupational fundamentals. Like for like rental growth was 6% rising to 12% on its London campuses.

Leasing momentum in British Land’s London campuses has been strong, with 215 deals covering 1,692,000 sq ft including a 158,000

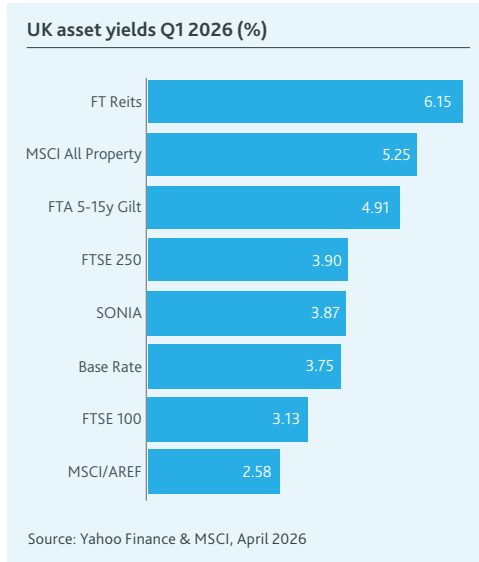


sq ft letting to Anthropic, a leading AI company responsible for the “Claude” large language model. The retail park portfolio remains virtually full at 99% occupancy, with leasing ahead of previous passing rents.

In the first two months of 2026, the yield on UK gilts decreased across all maturities by 20 bps. However, after the opening shots of the latest Gulf conflict were fired, yields rose by 80bps for short-dated bonds and 60 bps or more for maturities of ten years and longer. Bond markets have taken a very different approach to the conflict. Unlike equity markets there has been no recovery in pricing. The yield on 10-year Gilts of 5.02% in mid-April after almost nine weeks of fighting is now nearing the same level reached in 2007 ahead of the Global Financial Crisis when markets tried to second-guess the impact of a deflating US housing bubble and defaulting mortgage-backed securities and collateralised debt obligations. Eventually Central Banks had to slash interest rates to near-zero and implement quantitative easing which brought bond yields down to less than 1% at one point.

The yield on the 5-15 year gilt index softened by 41 bps in the first quarter to 4.91%. This is reflected in the total return performance on the FTSE Actuaries 5-15 year gilt index in Q1 of -1.82%. Over the

last 12 months, the gilt index has provided a total return of 3.35% as yields have increased by 26 bps since March 2025. Changes in the risk-free rate are a key metric referenced in the valuation of commercial real estate. There is already some evidence that property yields have started to de-rate. A prolonged period with gilt yields at the current level may see valuers re-appraising capitalisation rates.



5. Commercial property market performance

- All Property total returns were 0.4% in March, one of the weakest monthly figures in the last two years. The market is slowing as sentiment weakens, though it remains above negative territory while participants await clearer impacts. All Property total returns were 0.4% in March, one of the weakest monthly figures in the last two years.
- Rolling 3-month UK commercial real estate performance remained static in Q1. All Property total returns, as recorded by the MSCI Monthly Index, increased very slightly to 1.43% from 1.42% in Q4. Capital growth showed no change over the quarter after a rise of just 4bps three months earlier. Annualised MRV growth of 2.0% in Q1 was a disappointment compared to year-on-year MRV growth of 3.1% but reflects weak macro-economic growth.

The MSCI Monthly Index comprises around £300 million of assets across 32 funds, with an average asset size of just under £24 million. It is predominantly made up of core open ended non-listed real estate vehicles with some closed-ended and listed vehicles.

In December 1986, the constituent sectors of the index were 45% Retail, 42% Offices and 12% Industrial. Today Industrials dominate, representing 46% of the index. Retail represents 21% of the index, and Offices 18%.

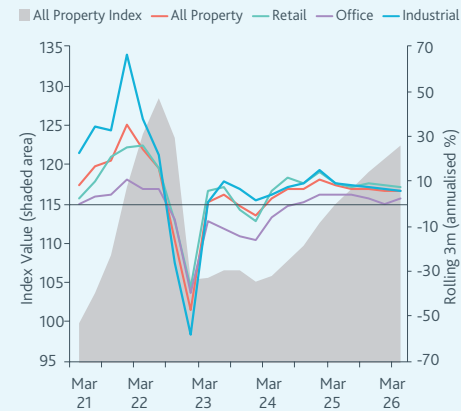
Other Property - including Residential, Hotels, Healthcare and Leisure is now 14%. There are more industrial assets in the South East within the index than there are office assets in total.

As noted above, risk free rates softened by 41 bps in Q1, and the All Property initial yield itself softened by 6 bps. Consequently, the property initial / gilt yield gap has decreased by 35 bps to 0.34% once again causing concerns over downward adjustments to pricing levels. Market rental value growth across most segments of the market has so far supported current pricing levels but this assistance is being weakened as MRV growth slows.

All Property total returns of 0.4% in March, as recorded by the MSCI Monthly Index, were amongst the weakest of the last two years. As the latest crisis develops the market is slowing. Sentiment has weakened but the market is not yet in negative territory as investors and occupiers wait to see the real impact.

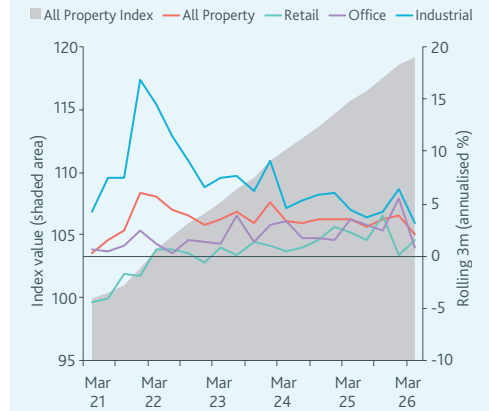
Rolling 3-month UK commercial real estate performance remained static in Q1. All Property total returns increased very slightly to 1.43% from 1.42% in Q4. Capital growth showed no change over the quarter after a rise of just 4bps three months earlier. Although property equivalent yields hardened by 10 bps they made little material contribution to changes in valuations, furthermore initial yields softened by 6 bps. All Property market rental value growth in Q1 decreased to 0.5% from 0.9% in Q4. First quarter income returns remained at 1.4%.

Total returns (%) by sector



Source: MSCI, April 2026

MRV growth (%) by sector



Source: MSCI, April 2026



Index performance continues to be driven by income returns as the modest contribution from capital growth diminishes further. Any capital growth is currently reliant on MRV growth rather than yield compression and this has recently slowed too. Annualised MRV growth of 2.0% in Q1 was a disappointment compared to year-on-year MRV growth of 3.1% but reflects weak macro-economic growth.

All Property total returns decreased to 6.5% from 7.1% in the year to December and in the year to date have further decreased to an annualised rate of 5.9%. Retail continues to be the strongest sector but total returns of 8.3% year-on-year in Q1 decreased from 8.8% in December and 11.4% in the year to March 2025. Shopping Centres were the best performing segment although total returns of 10.8% were down more than one percentage point compared to 11.9% year-on-year in Q4 2025. Offices are once again the weakest sector, but their performance was boosted by the West End and Midtown office segment which delivered total returns of 8.0% driven by MRV growth of 6.5%. Industrial total returns decreased to 7.3% year-on-year in Q1 from 8.0% in Q4 2025.

All Property capital growth decreased from 1.3% year-on-year in December to 0.8% y-on-y in March. MRV growth decreased to 3.1% y-on-y in Q1 from 3.4% in Q4 2025 but income returns remained stable at 5.7% year-on-year.

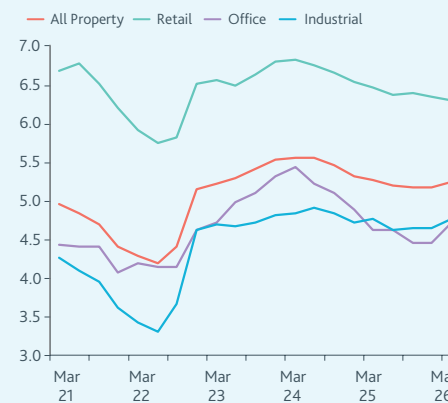
Property equivalent yields rose sharply in 2022 and 2023 as interest rates increased in response to higher inflation driven by an oil price shock. Yields have since stabilised at this higher level albeit with some quarterly volatility. All Property equivalent yields hardened by 22 bps in the 12 months to March but have made a negligible contribution to any change in valuations over the course of the last year. Contrary to past experience, capital values have remained stable while rental values have improved. This is largely due to reduced liquidity compounded by ongoing macroeconomic uncertainty. Lower transaction volumes limit price discovery and keep yields relatively elevated.

The recovery stage in the current cycle continues to disappoint compared to the vigorous bounce in capital growth enjoyed after previous downturns in both 1991-92 and 2008-09. Despite five consecutive reductions in Bank Rate from 5.0% to 3.75%, the market has not experienced a "V" shaped recovery reminiscent of the episodes in 1993-94 or 2009-10. Investors can now add the impact of another war in the Gulf to their list of concerns including weak economic growth, persistent inflation and doubts over the future path of monetary policy.

The tables included contain further performance data for UK commercial real estate in Q1 2026.

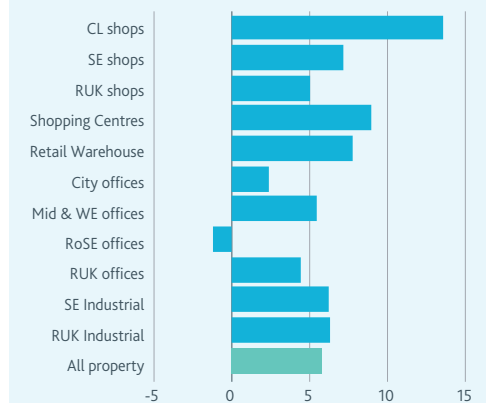


Initial yield (%) by sector



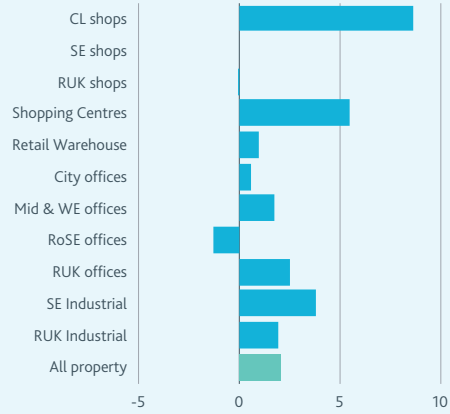
Source: MSCI, April 2026

Total returns (%) by segment - Q4 2025 annualised



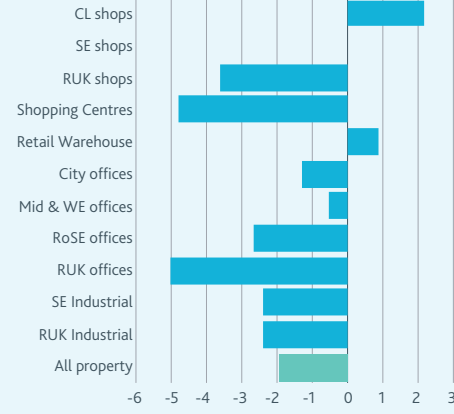
Source: MSCI, April 2026

MRV growth (%) by segment Q4 2025 annualised



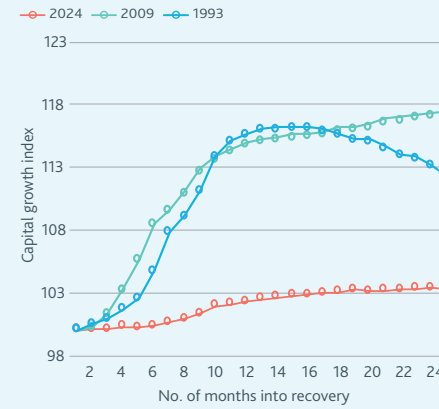
Source: MSCI, April 2026

Yield impact (%) – Q4 2025



Source: MSCI, April 2026

The pace of recovery from market downturn by quarter



Source: MSCI, April 2026

Total returns (%)

	Mar	3m	6m	12m
All Property	0.4	1.4	2.9	6.5
Retail	0.6	1.9	4.0	8.3
Office	0.2	0.7	0.8	2.6
Industrial	0.4	1.5	3.2	7.3
Annualised				
All Property	5.1	5.9	5.8	6.5
Retail	7.2	7.9	8.2	8.3
Office	3.0	2.9	1.7	2.6
Industrial	5.0	6.2	6.5	7.3

Source: MSCI, April 2026

Capital growth (%)

	Mar	3m	6m	12m
All Property	0.0	0.1	0.1	0.8
Retail	0.0	0.3	0.6	1.3
Office	-0.2	-0.6	-1.8	-2.7
Industrial	0.0	0.3	0.8	2.3
Annualised				
All Property	-0.5	0.2	0.2	0.8
Retail	0.4	1.1	1.3	1.3
Office	-2.3	-2.4	-3.5	-2.7
Industrial	0.1	1.3	1.6	2.3

Source: MSCI, April 2026

Income return (%)

	Mar	3m	6m	12m
All Property	0.5	1.4	2.8	5.7
Retail	0.5	1.6	3.3	6.9
Office	0.4	1.3	2.6	5.4
Industrial	0.4	1.2	2.4	4.9
Annualised				
All Property	5.7	5.6	5.6	5.7
Retail	6.7	6.7	6.8	6.9
Office	5.4	5.4	5.3	5.4
Industrial	4.9	4.9	4.9	4.9

Source: MSCI, April 2026

MRV growth (%)

	Mar	3m	6m	12m
All Property	0.2	0.5	1.5	3.1
Retail	0.1	0.4	0.4	1.7
Office	0.2	0.2	1.5	2.9
Industrial	0.2	0.8	2.3	4.3
Annualised				
All Property	2.2	2.0	2.9	3.1
Retail	1.5	1.5	0.8	1.7
Office	2.5	0.7	3.1	2.9
Industrial	2.3	3.1	4.7	4.3

Source: MSCI, April 2026

Net initial yield (%)

	Mar	3m	6m	12m
All Property	5.2	5.2	5.2	5.3
Retail	6.3	6.4	6.4	6.5
Office	4.7	4.5	4.5	4.6
Industrial	4.8	4.7	4.6	4.8

Source: MSCI, April 2026

6. Investment in property

- The traditional year-end push to conclude transactions increased investment volumes by 93% in the fourth quarter of last year compared to the third quarter and were an encouraging 44% above the long run post GFC quarterly average. Preliminary estimates suggest that investment volumes in Q1 2026 have suffered from a new year hangover and decreased by -56% quarter on quarter and were -37% below the long-run average.
- In Q1, private capital and domestic institutions surpassed cross-border investment in the UK market. Supporting data shows foreign direct investment (FDI) fell from 58% of acquisitions over five years to just 45% in the past year.

A rise in the overall value of transactions can be driven by a small group of deals struck at higher prices. The best gauge of market liquidity is the number of transactions which gives investors greater price transparency and proof of a deep and liquid market into which they can sell on the assets if needed. Therefore, we focus in this section on transaction numbers as well as investment volumes represented by the

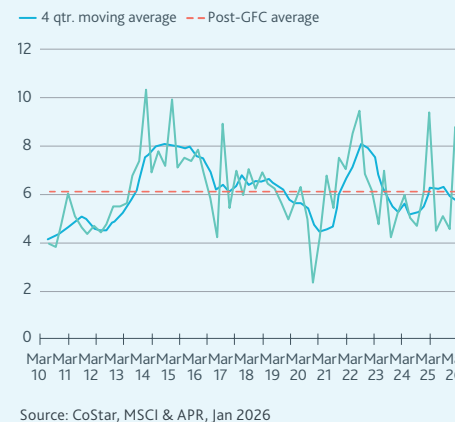
current value of investment transactions adjusted for capital growth.

All Property investment volumes remain on a downward trend limiting the chance of any capital value uplift from yield compression. In 2025 Investment volumes were lower than 2021, 2022 and 2024 but no better than 2023. However, the traditional year-end push to conclude transactions increased investment volumes by 93% in the fourth quarter of last year compared to the third quarter and were an encouraging 44% above the long-run quarterly average.

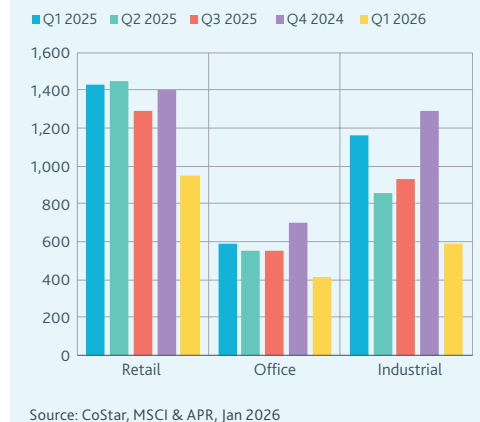
Preliminary estimates suggest that investment volumes in Q1 2026 have suffered from a new year hangover and decreased by -56% quarter on quarter and were -37% below the long run average. As usual the latest numbers for Q1 are likely to be revised in the coming months. However, first quarter UK investment volumes so far recorded are currently the lowest since at least 2019.

In the 12 months ending December 2025, the office sector accounted for 46% of transactions. Retail represented 44% of transaction numbers and industrials a further 10%. Offices made up 49% of investment volumes in Q4; retail represented a further 42% and industrials made up the remaining 9%.

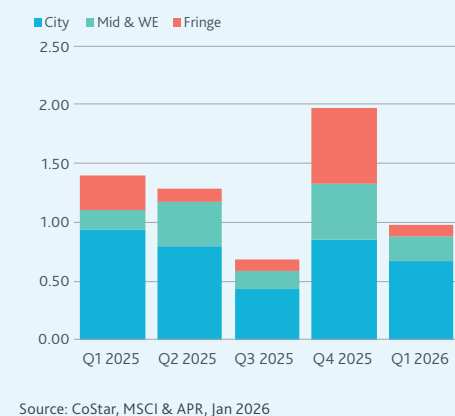
All property investment volumes (£bn)



UK investment transactions by year



UK investment volumes by quarter (£bn)



All UK investment volumes in Q1 (£bn)



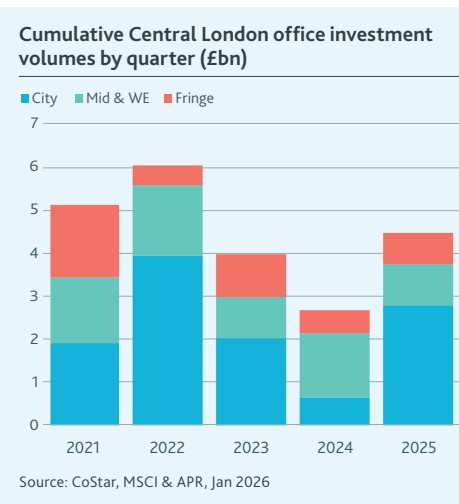
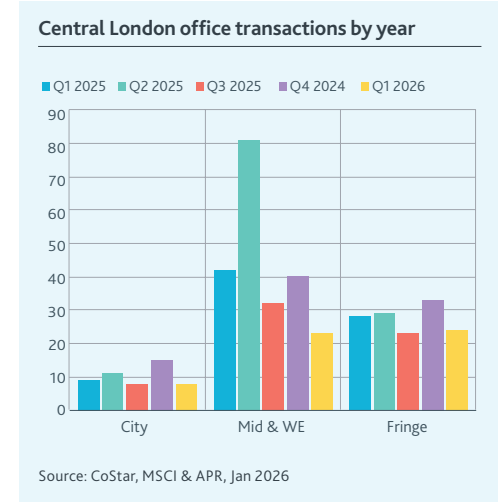
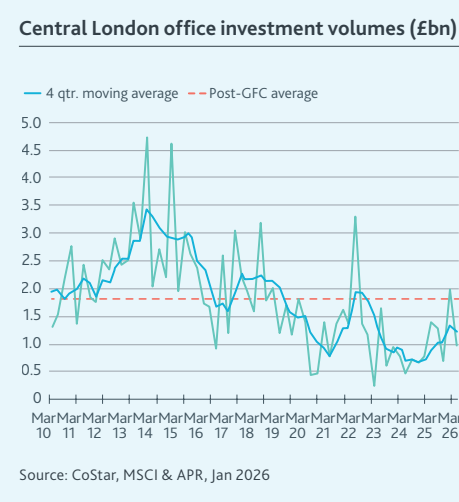
Investment volumes in the UK's key Central London office market have been slowly recovering since mid-2024. Investment volumes in Q4 2025 were up 187% over Q3 but were just 8% above the long-term average. This improvement was unlikely to be sustained into the new year and as expected, preliminary estimates for Q1 2026 indicate that investment volumes decreased -50% quarter-on-quarter. As usual the latest numbers for Q1 are likely to be revised in the coming months.

The revised data indicates that cumulative four quarter Central London investment volumes in 2025 exceeded both 2024 and 2023 but investment transactions numbered 351, down from 441 in 2024 but higher than 2021-2023. The average transaction value rose sharply to £15.2million from £6.0 million in 2024 confirming that the market witnessed a smaller number transaction but with a higher value. City investment volumes surpassed those across the West End and Midtown and made up 44% of Central London office investment transactions in Q4; Midtown and West End offices represented 24% and Fringe offices made up the remaining 33%.

This month MSCI reported that cross-border capital, which has historically been the dominant source of investment capital

accessing the UK market, was supplanted by both private capital and domestic institutions in Q1. This reflects not only ongoing global uncertainty but also that domestic investors are more comfortable with pricing opportunities offered after UK valuations have been more aggressively marked to market following recent market turbulence. Data from other sources seems to support the declining weight of foreign direct investment (FDI). In the last five years FDI was behind 58% of acquisitions but in the last 12-months FDI's proportion has decreased to 45%.

The domestic lending market has slowed slightly in the last three months. Outstanding loans from UK banks and financial institutions to real estate businesses grew 11.4% in the 12 months to February, to £147bn, according to Bank of England data. In November last lending grew 11.7% y-on-y representing the fastest year-on-year growth rate since at least 2010. While banks may be willing to boost their lending to property, investors will be holding back until the economic and interest rate outlook becomes more certain.



7. Office focus

Average UK office occupancy reached 44.2% in February, the highest level since the survey began in May 2021 but decreased to 43.9% in March according to Remit Consulting's Return survey. However, the numbers in Q4 2025 and Q1 2026 have consistently been above 40%. Remit said "...many organisations have now settled into a pattern of office use that feels sustainable for both employers and employees ... hybrid working is firmly embedded, but the office still plays a central role in how many businesses operate."

This is backed up by Transport for London data, which indicates that the number of passengers visiting Zone 1 stations Monday to Friday has increased by 1% from 123 million in Q1 2025 to 125 million in Q1 2026. Even so, weekday Zone 1 station footfall remains 18% below Q1 2019 levels. Tuesdays, Wednesdays and Thursdays remain the most popular days.

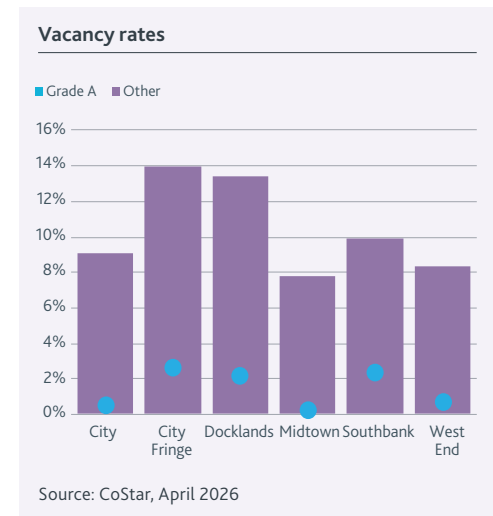
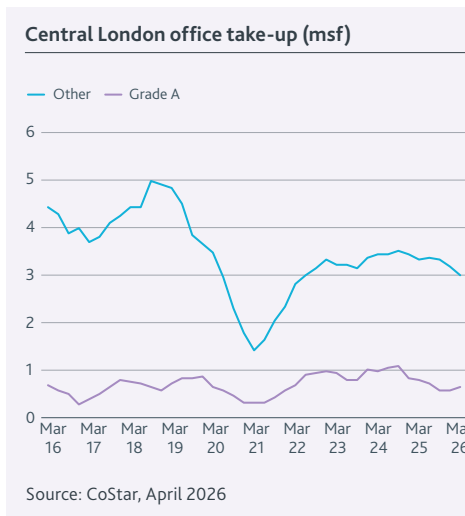
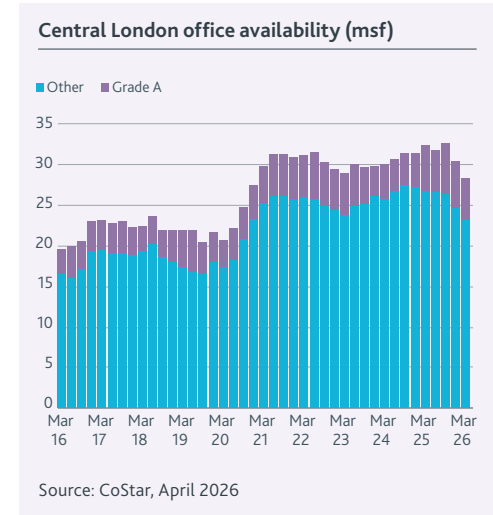
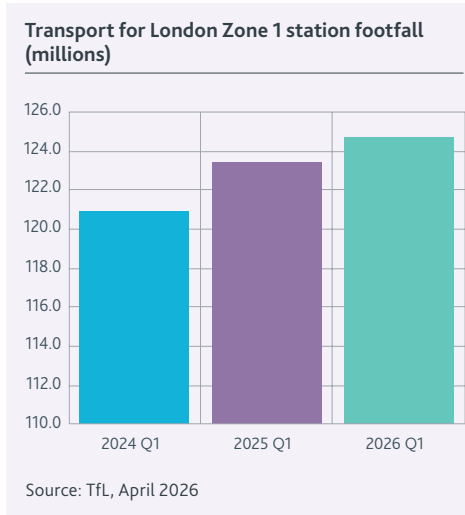
The underlying macro-economic drivers of office demand are weakening. Office-based economic output¹ decreased very slightly by -0.03% in Q4 2025 and the annual rate of

growth decreased to 0.92% from 1.46% in Q3 and 2.7% in Q4 2024.

Central London offices Occupational view

- Grade A office space availability is limited in the West End, particularly Mayfair and St James's. There is also dwindling supply in the City of London, as pre-letting of best in class offices continues at pace. Such is demand there is competing bidding driving rental growth and we predict a 'tipping point' into the Grade B and fringe markets.
- The occupational footprint of AI companies is growing, reaching record levels as the year has progressed. Interestingly these AI occupiers are clustering along the Elizabeth Line, with 3 AI sector-led deals highlighted below.

Central London office availability decreased in Q1 2026 by -6.9% to 28.4 million sf which represents 21 months' supply at the post-Covid average rate of take-up. The occupational market for the very best buildings typically called "Grade A" is tighter. Availability for the best office space decreased by -8.4% in Q1 to 5.3 million sf representing 19 months' supply.



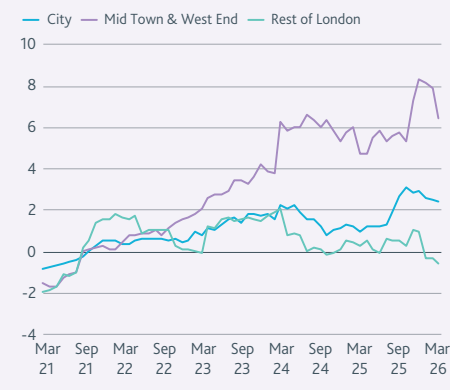
¹ The sum of economic output (GVA) produced by office based industry sectors.

In the City office market, the availability of Grade A office space in Q1 decreased by -6.8% to 1.53 million sf representing 12 months' supply. In the West End, the availability of Grade A trophy office space in Q1 decreased by -14.7%. Although there is 677,000 sf of this best-in-class space available across all West End sub-markets only 15,700sf or 2% of this space is in the core Mayfair and St. James's sub-markets. Supply is more plentiful in Victoria and Noho.

All office take-up decreased by -32.6% in Q1 to 3.02 million sf from 4.479 million sf in Q4 2025. This was the lowest quarterly total since mid-2021 when the market was recovering from the Covid lockdowns. Only the City Fringe and West End markets showed any resilience and posted q-on-q increases in take-up.

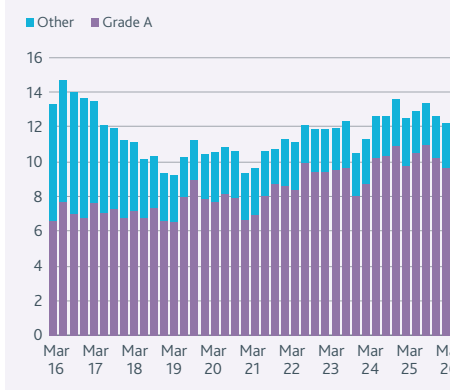
Take-up of Grade A space in Q1 increased 31% to 856,000 sf from 652,000 sf in Q4 2025. Leasing activity improved in all sub-markets except the City and Docklands. In the City Grade A take-up fell -26% to 330,000 sf including British Land and GIC Real Estate's pre-letting of 267,000sf of sustainable space at 8 Exchange Square for 21 years to global law firm, Herbert Smith Freehills Kramer, to consolidate their London headquarters office. The building is located adjacent to Liverpool Street Station within the Broadgate office campus originally developed in the mid-1980s. It will provide 50,000 sf of amenities

Central London offices MRV 12m (%)



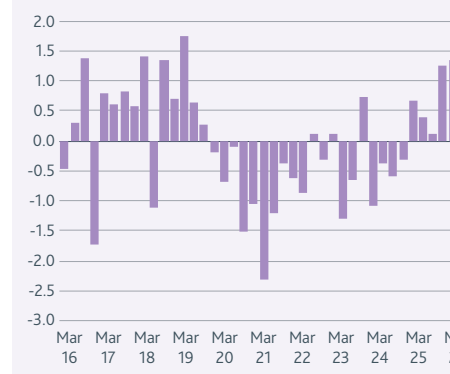
Source: MSCI, April 2026

Under construction (m sf.)



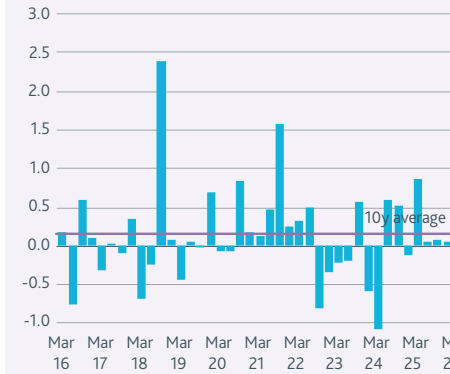
Source: CoStar, April 2026

Net absorption (msf)



Source: CoStar, April 2026

Net completions (msf)



Source: CoStar, April 2026



12m MRV growth (%)



Source: CoStar, April 2026

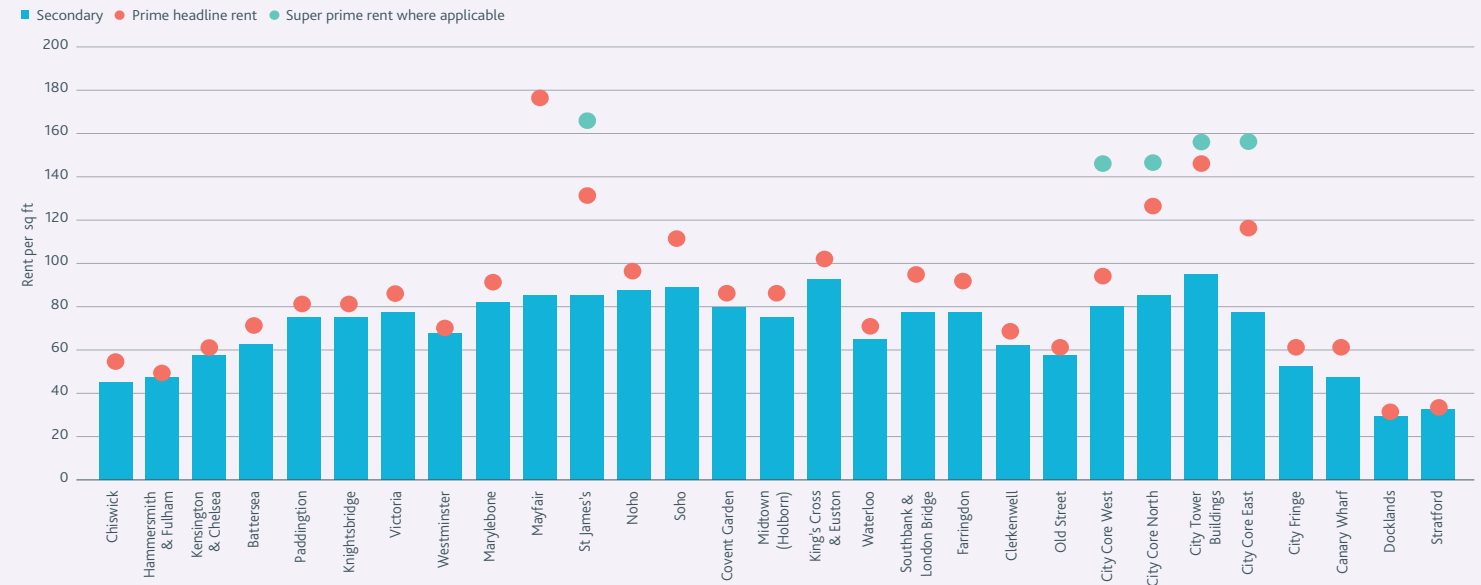
including rooftop terraces, cycling facilities, wellness/leisure space, gym and health club and premium client reception areas.

In the West End, Grade A take-up increased more than threefold to 150,000sf in the first quarter, albeit off a low base of just 47,000sf in Q4 2025. Most of this space was let by Derwent London at the Network Building, 10 Howland Street in Fitzrovia near Tottenham Court Road for 15 years at £14.1 million a year. The building is a sustainability-led development comprising 136,000sf on ten floors with terraces, end-of-trip facilities, cycle storage and communal spaces.

The London office market has begun to reap the benefits of the rapid rise in the use of artificial intelligence (AI). The counterparty to Derwent London's letting at the Network Building was Databricks, a US-based data, analytics and artificial intelligence software company. In April, Anthropic committed to 158,000 sf at One Triton Square and OpenAI announced its first permanent London office, taking around 77,000 sf at Regent Quarter in King's Cross.

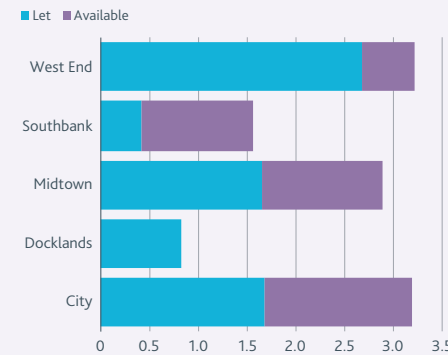
Across the Central London office market, an average 858,000 sf of new space has been delivered every quarter over the last 10 years. In Q1 development completions totalled 1.6 million sf. In the West End 323,000 sf of new space was delivered. In Noho and Victoria, whilst City and City Fringe completions totalled 878,000 sf. New construction starts in Q1 amounted to 1.16 million sf across the West End, Midtown and Southbank compared to average starts of 801,000 sf over the last 10 years. A further 8.2 million sf remains under construction. More than 60% of this new space is in the City and Midtown with just 1 million sf in the West End.

Central London Headline Rental values



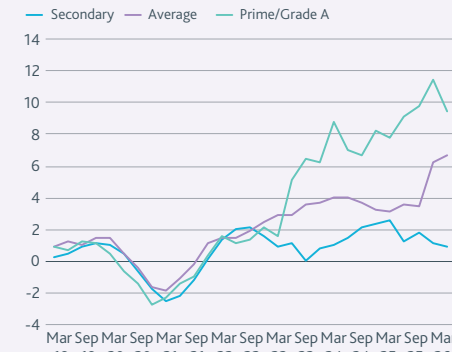
Source: Cluttons, May 2026

Q1 development pipeline space available v pre-let



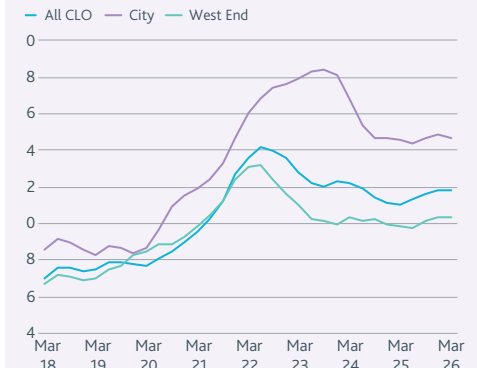
Source: CoStar, April 2026

12m MRV growth (%)



Source: MSCI, April 2026

Months on market



Source: MSCI, April 2026

Investment view

- The Central London office market saw a modest improvement in Q1 2026, with capital value growth turning positive. The West End continues to outperform but MRV growth is weakening.
- Seasonal effects meant that the preliminary estimate of Investment activity in Q1 2026 was always going to be lower than in Q4 2025 but there is sufficient liquidity and demand for prime assets.

The Central London office market improved slightly in Q1. Capital value growth as measured by MSCI increased from -0.127% in Q4 2025 to +0.13% in Q1. Year-on-year capital value growth fell to 2.42% in March from 2.67% in December last year. The Q4 2025 RICS UK Commercial Property Monitor notes that prime office capital values in London are projected to increase by around 0.9% in 2026, compared with expectations for growth of 2.8% in Q4. The outlook for prime London offices nevertheless remains stronger than the UK wide picture.

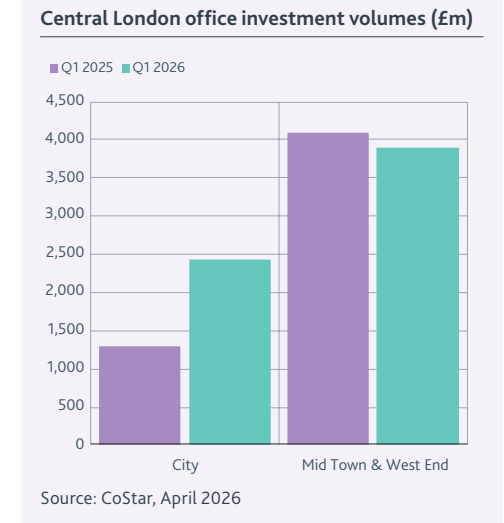
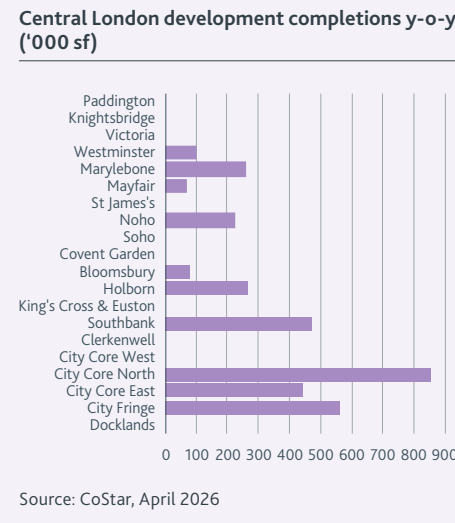
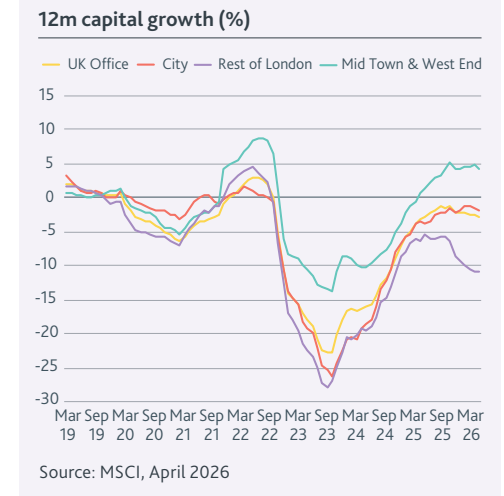
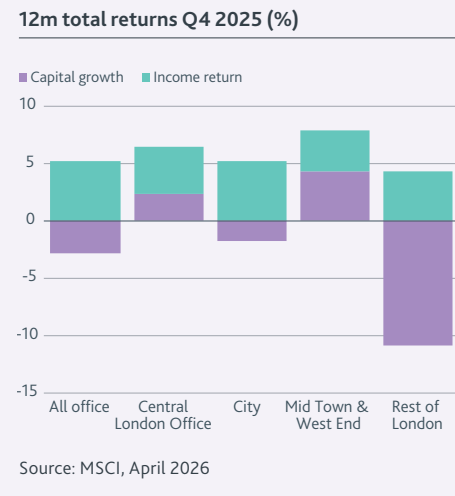
The West End office market continues to be the main driving force behind the capital's office market. Capital growth increased to 0.46% in Q1 from 0.14% in Q4 2025. City office valuations fell by -0.98% in Q4 and

the decline continued in Q1 as they fell by a further -0.72%. Year-on-year capital growth in the West End of 4.31% but the support offered by MRV growth decreased to 6.50% from 8.38% in Q4 2025 y-on-y. City office capital values fell by -1.80% y-on-y in Q1 2025 whilst rental growth decreased to 2.39% from 2.90% in Q4 2025.

The number of Central London office investment transactions in Q1 decreased to 41 from 64 in Q4 2025 and the value of these transactions decreased by 31.7% from £2.559 billion in Q4 2025 to £1.747 billion in Q1. Preliminary estimates suggest that the value of transactions in Q1 2026 was 5.6% higher than Q1 2025.

In the City Fringe, M&G Real Estate sold the Fruit and Wool Exchange, Brushfield Street to Norges Bank Investment Management for £300 million (£879 psf). The property was 100% let to law firm Ashurst, CME Group, TriOptima and others and contains 341,000 sf. It was developed in 2018 retaining the 1928 brick and Portland stone in Spitalfields adjoining Old Spitalfields Market.

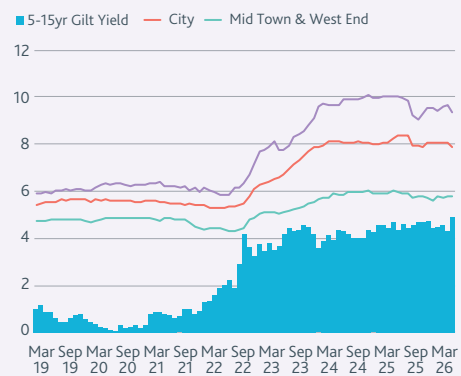
In the West End, Oval Real Estate, a London based investment, asset management and development business, traded 14 George Street in a core Mayfair location near to Bond Street tube station



for £173 million (£3,402 psf) to a private overseas investor having previously acquired it from Chinese Estates Group in 2024 for £125 million. The building which contains 51,800 sf on four floors behind a retained Georgian façade was originally developed in 2011 and is occupied by Antin Infrastructure Partners, Trafigura, Ellerman Investments and Aleph Capital.



Equivalent yields (%)



Source: MSCI & Bank of England, April 2026

Featured investment transactions

Building	Price (£m)	Price (£psf)	Yield (%)	Avg. uxp lease term (yrs)	Buyer
90 Whitfield Street, London W1	110.50	1,068	5.00 (NIY)	3.7	Lone Star
Wells & More, 45 Mortimer St. W1	172.00	1,483	5.10 (NIY)	4.6	Feldburg Capital
22-23 Princes St. W1	32.50	2,950	3.75 (NIY)	5.5	Private investor
1 Wood Street, EC2	132.00	717	5.73 (NIY)	7.2	Meadow Partners

Source: Cluttons, April 2026

Central London offices

Summary tables

Availability (msf)

	Q4 2025	Q1 2026	5y avg.	Trending
City	7.65	7.10	9.23	▼
City Fringe	4.02	3.48	4.46	▼
Docklands	2.11	1.88	2.62	▼
Midtown	7.58	7.42	6.92	▼
Southbank	3.64	3.51	2.46	▼
West End	5.53	5.03	4.96	▼

Source: CoStar, April 2026

Take-up (msf)

	Q4 2025	Q1 2026	5y avg.	Trending
City	1.81	1.09	1.32	▼
City Fringe	0.31	0.35	0.45	▲
Docklands	0.43	0.01	0.18	▼
Midtown	0.64	0.54	0.88	▼
Southbank	0.67	0.33	0.27	▼
West End	0.62	0.70	0.79	▲

Source: CoStar, April 2026

Vacancy rates

	Q4 2025	Q1 2026	5y avg.	Trending
City	11.1%	10.3%	14%	▼
City Fringe	13.8%	11.8%	16%	▼
Docklands	11.1%	9.9%	14%	▼
Midtown	11.1%	10.9%	10%	▼
Southbank	16.7%	15.8%	11%	▼
West End	9.7%	8.8%	9%	▼

Source: CoStar, April 2026

Completions ('000 sf)

	Q4 2025	Q1 2026	5y avg.	Trending
City	530	322	213	▼
City Fringe	-	556	131	▲
Docklands	-	-	35	↔
Midtown	-	-	168	↔
Southbank	-	372	66	▲
West End	56	323	115	▲

Source: CoStar, April 2026

Construction ('000 sf)

	Q4 2025	Q1 2026	5y avg.	Trending
City	3,472	3,150	4,008	▼
City Fringe	645	89	1,196	▼
Docklands	823	823	466	↔
Midtown	3,389	3,639	3,428	▲
Southbank	1,685	1,565	1,004	▼
West End	2,165	2,497	1,743	▲

Source: CoStar, April 2026

12m MRV growth

	Q4 2025	Q1 2026	5y avg.	Trending
City	2.9%	2.4%	1.3%	▼
Mid Town & West End	8.4%	6.5%	4.0%	▼
Rest of London	0.9%	-0.6%	0.7%	▼

Source: MSCI, April 2026

Average rents (£psf)

	Q4 2025	Q1 2026	Trending
City	59.40	62.80	▲
City Fringe	55.80	55.60	▼
Docklands	48.10	47.50	▼
Midtown	68.10	68.20	▲
Southbank	65.00	65.80	▲
West End	74.90	75.80	▲

Source: CoStar, April 2026

Investment volumes (£bn)

	Q4 2025	Q1 2026	5y avg.	Trending
City	717.45	676.40	647.30	▼
City Fringe	280.59	399.64	231.26	▲
Docklands	0.00	0.00	17.87	↔
Midtown	269.86	113.83	556.72	▼
Southbank	50.93	6.05	75.41	▼
West End	1240.30	551.43	600.82	▼

Source: CoStar, April 2026

Prime yields (%)

	Q4 2025	Q1 2026	Trending
City	5.25%-5.50%	5.25%-5.50%	↔
West End	3.75%-4.00%	3.75%-4.00%	↔
West End (non-core)	5.25%-5.50%	5.25%-5.50%	↔

Source: Cluttons, April 2026

Rest of UK offices

Occupational view

- Availability decreased across both the South East and Rest of UK office markets in Q1 but there is still enough supply to satisfy four years of average demand.
- Buildings targeting bio-tech, life science and healthcare tech users are characteristic of the current development pipeline.

Office availability in the South East decreased for the third consecutive quarter by -2.5% in Q1 and fell by -2.3% y-o-y, representing 47 months supply at the post-Covid average rate of take-up. Availability across all Rest of UK office markets outside London and the South East decreased by -0.5% in Q1 but increased by 2.5% year-on-year also representing more than four years of supply.

South East Grade A availability decreased by -4.2% in Q1 and by -44.4% y-o-y and there is now 20 months of supply. Three months earlier there was 31 months' supply of space. Rest of UK Grade A office availability decreased by -6.7% in Q1 and -1.1% y-on-y and there is now 25 months supply compared to 31 months in Q4 2025.

At the end of Q1 the vacancy rate across the UK's largest regional office markets decreased from 12.2% in Q4 2025 to 11.8% and ranged between 9% in Edinburgh and 13.1% in Manchester. However, the vacancy rate for Grade A space across all "Big 6" centres is 1.4%. Overall vacancy rates across the key South Eastern centres decreased from 7.6% in Q4 2025 to 7.1% but limited development activity means

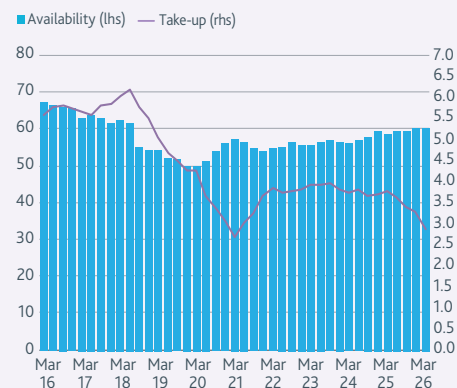
there is no available Grade A space in Cambridge or Milton Keynes and the Grade A availability in the Thames Valley is 1.0%.

Rental growth in the 'big 6' markets decreased slightly to 3.0% in the year to March from 3.1% in the year to December. Bristol is the strongest regional office market, and y-o-y rental growth has increased from 4.3% in December to 4.6% in March. March y-on-y MRV growth is 4.4% in Leeds, 2.6% in Manchester but -3.1% in Glasgow. South East office market rental value growth has increased from 1.1% y-o-y in Q4 2025 to 1.6% in Q1.

In the South East and Rest of UK office markets four developments were completed in Q1 providing 303,000 sf. Two of these buildings providing 301,000 sf are classified as "Grade A". The South East office development pipeline has 26 buildings expected to complete in 2026 providing 2.181 million sf, 51% of which has been pre-let. Most of this pipeline is centred on the Oxford and Cambridge markets where 2.434 million sf is due to be delivered in the next two years. Following pre-lets but only half of this space is available to let.

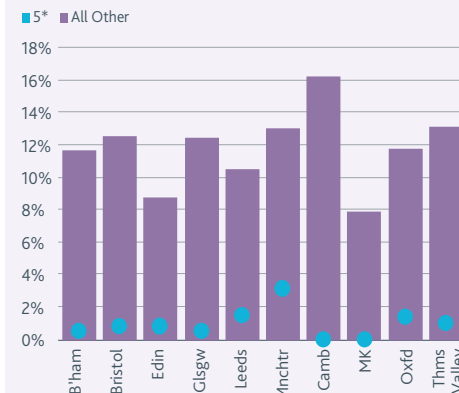
The largest of these schemes is a net zero development on Oxford Business Park being marketed as "Trinity by Breakthrough". The building has been designed primarily for biotech and life-science occupiers and on completion will provide 210,000 sf of lab, R&D and office space. The distinctive design includes a curved green terracotta façade and integrated living walls as well as the usual wellness and fitness

Rest of UK office availability & Take up (msf)



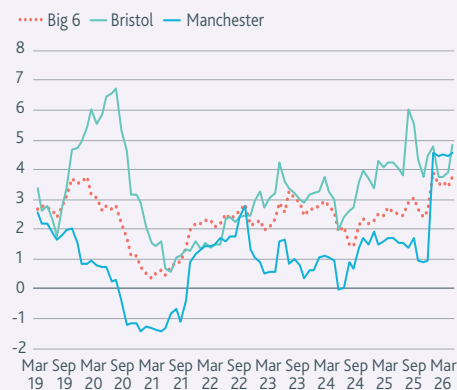
Source: CoStar, April 2026

SE & RUK vacancy rates



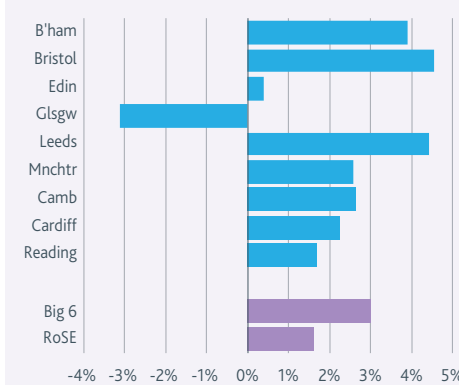
Source: CoStar, April 2026

12m market rental growth (%)



Source: MSCI, April 2026

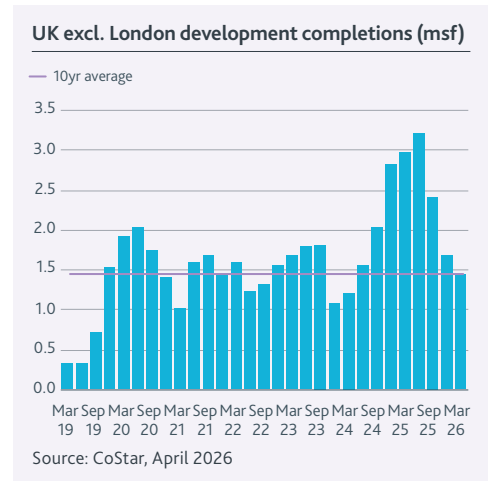
Key Centres - 12m MRV growth (%)



Source: MSCI, April 2026

facilities, café and collaboration spaces, cycle hub and shower facilities, extensive landscaped/public realm improvements and high-spec lab infrastructure with enhanced servicing and vibration controls. The entire building remains available to let in configurations from 4,000 sf up to 214,000 sf.

At the end of Q1, the Big 6 development pipeline had grown to 3.281 million sf in 12 buildings. The largest scheme in the pipeline is a locally controversial major new UK 1.4 million sf headquarters campus for US healthcare software company Epic Systems, planned on 90 acres southwest of Bristol Airport. Bristol is increasingly finding favour as a centre for international health-tech firms. Epic itself is one of the world's largest electronic medical records software companies, with major NHS contracts including Cambridge University Hospitals and other UK trusts. In principle planning consent has been granted and the scheme is unlikely to deliver before 2013.



Investment view

- Performance in the UK's major regional office investment markets continues to strengthen but remains underwhelming.
- Manchester continues to be the main target for investors seeking exposure to regional offices.

The average total return performance across all "Big 6" centres increased to 1.2% in Q1 from 0.9% in Q4 2025 as capital growth improved to -0.3% from -0.5% in Q4. "Big 6" office total returns for the year to March have increased to 3.3% from 2.9% in the year to December but are still under-performing March's All Property y-on-y performance of 5.6%.

The UK's major regional office investment markets strengthened in the fourth quarter of last year when investment volumes increased by 48% to £246 million from £168 million in Q3 but were nevertheless -31% below the post-pandemic quarterly average of £355 million. Preliminary estimates suggest that investment volumes in Q1 grew by 74% to £429 million. As usual the latest numbers for Q1 are likely to be revised in the coming months. Manchester was the destination for 44% of investment in the "Big 6" markets in Q4 as investors bought 13 assets worth £179 million. The flow of capital into Manchester

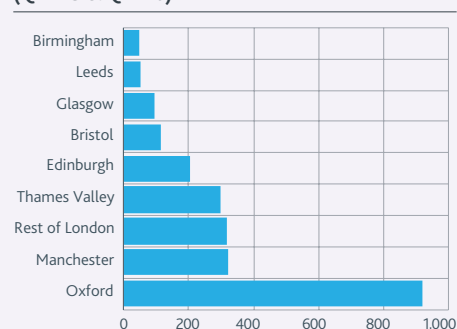
continued in Q1 when a further five assets were exchanged for £143 million.

Investment volumes in the South East increased in Q4 2025, by an astonishing 322% or more than fourfold to £1.124 billion from £266 million in Q3. But preliminary estimates suggest that investment volumes in Q1 fell back -86% to £154 million. In Oxford, investment volumes reached £921 million in six transactions and in the Thames Valley 18 transactions accounted for £236 million.

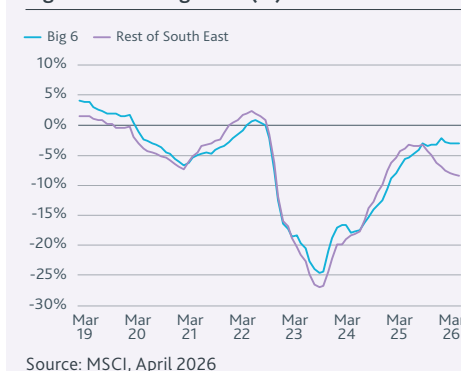
The BT pension Fund sold 4 Angel Square, part of the NOMA regeneration district in north Manchester city centre around Victoria Station and Angel Meadow to Bank of New York for £114million. The building is operationally net zero and contains 197,000 sf of offices together with roof terrace, business lounge, wellness facilities and 212 cycle spaces. The anchor tenant is BNY (formerly BNY Mellon) who are re-locating staff from two existing offices in Manchester.

In the Thames Valley, Investment Manager, ATLAND, acquired One Forbury Square in Reading for £15.0 million from Longmead Capital. The building comprising 36,000 sf over ground and four upper floors, was developed in the early 2000s and comprehensively refurbished in 2020 to Grade A standard. ATLAND is a French Real Estate investment manager. The purchase was made on behalf of its flagship fund, Épargne Pierre with a market capitalisation of 2.7 billion euros.

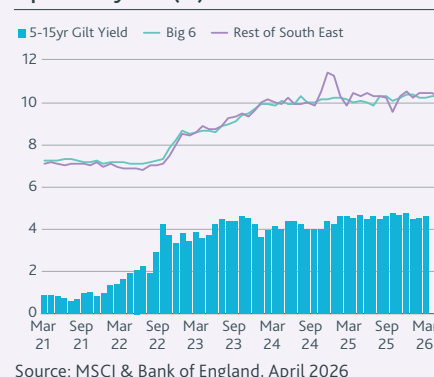
12m regional office investment volumes (Q4 '25 & Q1 '26)



Big 6 – 12m MRV growth (%)



Equivalent yields (%)



Featured investment transactions

Building	Price (£m)	Yield (%)	Price (psf)	Avg. uxp lease term (yrs)	Buyer
Reckitt HQ, 6 Roundwood Avenue, Uxbridge	20.51	9.00 (niy)	369	10 yrs	UHNW
4 Angel Square, Manchester	114.00	6.85 (niy)	570		Bank of New York (as tenant)
One Forbury Square	15.00		412		ATLAND

Source: Cluttons, April 2026

Rest of UK offices Summary tables

Take-up (msf)

	Q4 2025	Q1 2026	5y avg.	Trending
Big 6	2.83	1.90	2.37	▼
Eastern	0.80	0.82	0.96	▲
Rest of UK	2.68	2.03	3.46	▼
South East	2.37	1.40	2.32	▼

Source: CoStar, April 2026

Vacancy rates

	Q4 2025	Q1 2026	5y avg.	Trending
Big 6	13.4%	13.2%	13.1%	▼
Eastern	7.9%	7.7%	6.6%	▼
Rest of UK	7.8%	7.7%	7.2%	▼
South East	9.5%	9.3%	8.9%	▼

Source: CoStar, April 2026

Average rents (£psf)

	Q4 2025	Q1 2026	Trending
Big 6	25.90	25.80	▼
Eastern	15.40	15.30	▼
Rest of UK	13.80	14.00	▲
South East	23.40	23.20	▼

Source: CoStar, April 2026

Completions ('000 sf)

	Q4 2025	Q1 2026	5y avg.	Trending
Big 6	15	244	813	▲
Eastern	56	119	286	▲
Rest of UK	1,381	-	911	▼
South East	140	-	413	▼

Source: CoStar, April 2026

12m MRV growth

	Q4 2025	Q1 2026	5y avg.	Trending
South East	1.12%	1.63%	1.40%	▲
Birmingham	3.75%	3.89%	2.95%	▲
Bristol	4.28%	4.56%	3.18%	▲
Leeds	6.64%	4.42%	3.14%	▼
Manchester	2.21%	2.57%	1.75%	▲

Source: MSCI, April 2026

Investment volumes (£m)

	Q4 2025	Q1 2026	5y avg.	Trending
Thames Valley	236.19	62.56	239.56	▼
Birmingham	27.99	19.40	67.57	▼
Bristol	26.32	88.47	66.46	▲
Edinburgh	81.19	155.88	72.94	▲
Glasgow	24.27	72.67	59.76	▲
Leeds	72.75	2.42	61.06	▼
Manchester	178.55	143.83	158.77	▼

Source: CoStar, April 2026

Availability (msf)

	Q4 2025	Q1 2026	5y avg.	Trending
Big 6	31.89	31.46	30.85	▼
Eastern	16.59	16.26	13.96	▼
Rest of UK	65.43	64.44	60.53	▼
South East	36.44	35.45	34.28	▼

Source: CoStar, April 2026

Construction ('000 sf)

	Q4 2025	Q1 2026	5y avg.	Trending
Big 6	2,879	2,794	5,884	▼
Eastern	2,088	1,970	1,752	▼
Rest of UK	1,284	1,358	4,438	▲
South East	3,781	3,800	3,405	▲

Source: CoStar, April 2026

Prime yields (%)

	Q4 2025	Q1 2026	Trending
M25 / Thames Valley	8.00%	8.00%	↔
Prime Regional Centres	7.00%-7.25%	6.50%-7.00%	▼
Secondary Regional Centres	10.00%-20.00%	10.00%-20.00%	↔

Source: Cluttons, April 2026

8. Industrial focus

There is little new pressure on logistics and industrial take-up from online retail. Internet sales penetration of the UK retail market peaked, at 37.2% of all retailing excluding fuel or 45.6% of non-food sales, in February 2021 during the third lockdown. At the end of Q1 internet sales as a proportion of all retailing increased to 28.7% from 28.4% at the end of Q4 2025. Internet non-food sales decreased by 20 bps to 25.2% in Q1.

Output for the Transport and Storage industry rose in the three months to the end of December 2025 by 1.3% and grew by 5.7% y-on-y. Twelve months earlier in December 2024 the y-on-y rate of growth was 2.7%.

The industrial market is segmented between **Logistics** being 50,000+ sf of warehouse space; smaller **Light Industrial** units for local distribution, and smaller scale manufacturing and repair workshops; and **Specialised**

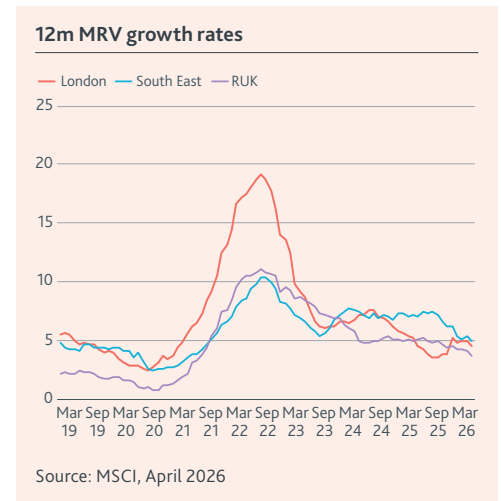
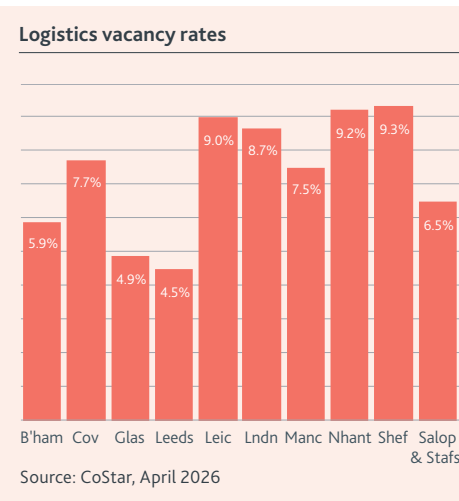
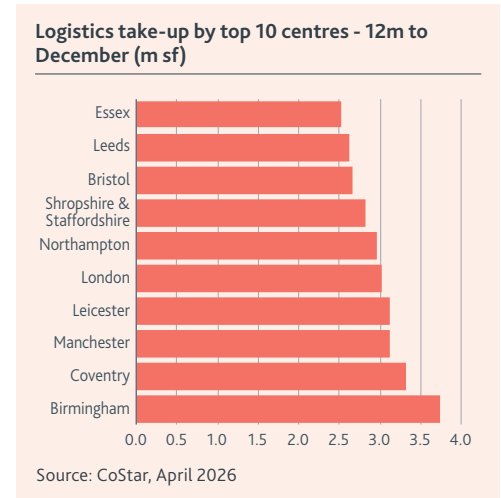
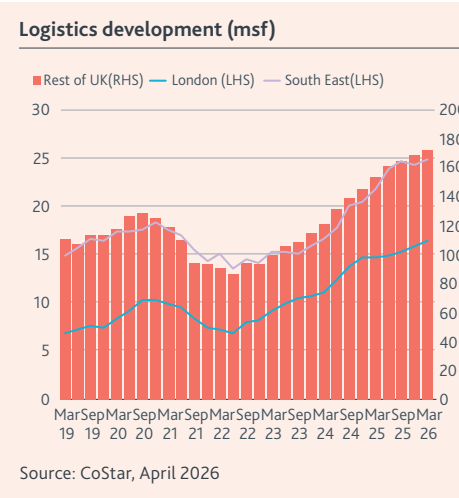
space for large scale manufacturing, R&D, Cold Storage and data centres. Most of the UK's stock of industrial space belongs to the logistics segment (66%) whilst 27% is **Specialised** and less than 10% Light Industrial.

Occupational view

- At the national level the occupational market continues to soften as availability increases, take-up decreases and MRV growth slows.
- The development pipeline continues to shrink.

Availability of logistics space to let increased across London, the South East and the Rest of the UK. In Q1 availability increased by 2.8% in London by 2.7% in the South East and 2.3% in the Rest of the UK. In the key Logistics Triangle, availability increased by 4.9%

Across the UK the take-up of all industrial space declined by -7.8% in Q4 2025, whilst the demand for logistics space grew by 7.7% to 16.1 million sf from 15.0 million sf a quarter earlier. Preliminary figures for Q1 2026 suggest that all industrial take-up has fallen by a further -11.5% to 16.7 million sf. Logistics take-up decreased by -11.7% to 14.2 million sf.



In the largest industrial and logistic letting in Q1 2025 Logicor Europe leased all three speculatively built units at Logicor Park, Daventry to supermarket chain, Farmfoods, who will now be able to expand their footprint across the UK from this distribution hub. The park is situated in the heart of the logistics "Golden Triangle," with access to over 51 million consumers in under three hours, and London in less than two hours via the M1, M40 and M45 motorways. Logicor own, manage and develop logistics real estate in key transportation hubs close to major population centres across Europe.

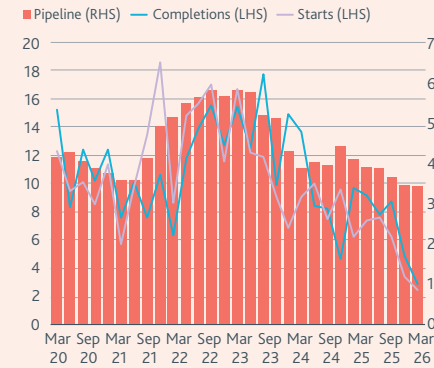
The UK industrial market rental value (MRV) growth is trending downwards. In Q1 it decreased to 0.9% from 1.2% in Q4 2025. MRV growth y-on-y dropped to 4.1% in March from 4.5% in December.

London MRV growth decreased by 40 bps to 4.4% y-on-y in March from 4.8% in December, 12 months earlier in March 2024 y-on-y growth was 5.6%. South East MRV growth decreased to 3.9% y-on-y in March from 4.0% in December and MRV growth across the Big 6 regional centres fell to 4.7% y-on-y in March from 5.2% in December. In Leeds 12m MRV growth fell 116 bps to 3.9% between Q4 2025 and Q1 2026 but in Glasgow y-on-y MRV was up 84 bps from Q4 to 10.1%.

The amount of logistics space under construction has been declining since 2022 and decreased nationally by a further -1.1% in Q1 to 34.3 million sf from 34.7 million sf in Q4. In Q1 construction starts across the UK fell -25.7% to 2.48 million sf in Q1 from 3.33 million sf in Q4 2025. In London the development pipeline decreased by 131,000 sf in Q1 to 1.6 million sf. But across the eight largest regional logistics centres the development pipeline increased by 2.5% to 13.95 million sf. M1 XL, the largest speculative scheme in the Logistics Triangle near the East Midlands Airport providing 645,000 sf is due to complete at the end of the year and remains available to let.

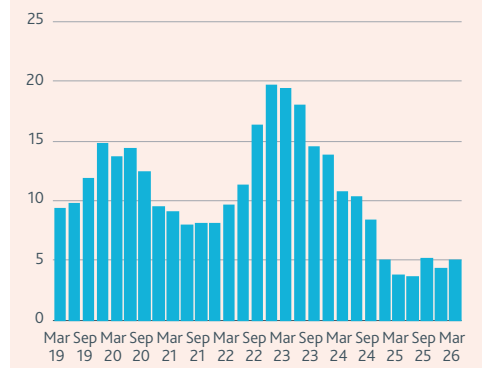
London's largest speculative distribution scheme is MLM Park Crayford, a multi-unit urban logistics and industrial development on a c.12.2-acre site in Crayford, close to Junction 1a of the M25 / Dartford Crossing targeting London and South East "last-mile" distribution occupiers. The scheme will provide 304,000 sf across three warehouse buildings. Construction will be completed later this year and all three buildings remain available to let. Across the capital, ten data centres are also under construction providing 3.85 million sf. All are fully let / occupied.

UK logistics pipeline and completions (m sf)



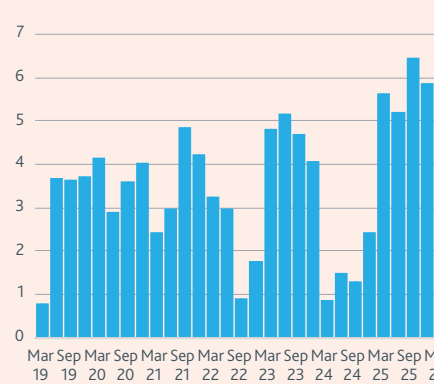
Source: CoStar, April 2026

Logistics triangle 12m net development completions (msf)



Source: CoStar, April 2026

London & South East 12m net development completions (msf)



Source: CoStar, April 2026



Investment view

- UK regions outside London and the South-East outperform due to higher income returns and stronger rental growth.
- Industrial investment transactions experienced a significant rebound in the fourth quarter; however, preliminary estimates suggest that investment volumes declined in the first quarter.

Year-on-year London industrial total returns decreased to 6.1% from 7.0% in Q4 and 8.4% in Q1 2025. Across the Big 6 regional cities, y-o-y total returns decreased to 8.2% in March from 9.4% in December and 11.8% a year earlier. In the South East y-o-y returns decreased to 4.8% in Q1 from 5.6% a quarter earlier and 9.5% in Q1 2025. London, South East and Big 6 industrial yields have all de-rated / softened in Q1 and over the last 12 months.

Industrial investment transaction enjoyed a strong bounce in Q4. All industrial Investment volumes¹ increased in Q4 2025 by 43.3% to £1.444 billion in 1,316 transactions or, £2.958 billion in current value terms, from £1.007 billion (£2.054 billion) in 920 transactions in Q3. Preliminary estimates indicate that investment volumes decreased

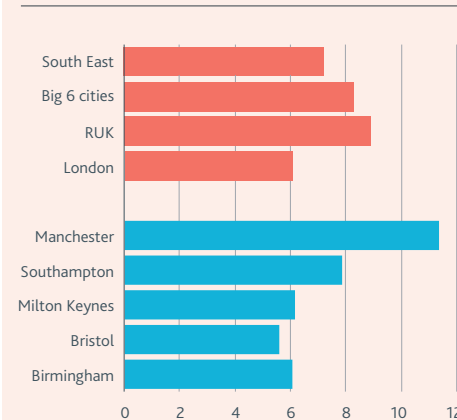
to £688 million (£1.419 billion) in 654 transactions in Q1 2026 compared to the ten-year quarterly average of £1.451 billion (£2.657 billion) and 1,075 transactions.

Despite the growing strength of performance from Rest of UK industrials, London attracted the largest slice of inward investment in Q4 2025 amounting to £385.4 million in value terms, representing a 61% increase from £239.1 million invested in Q3. A further £1.085 billion was targeted across the Rest of the UK including Manchester, Coventry and Bristol.

London's continuing attraction for investors was demonstrated by DWS Group's purchase of Sainsbury's Charlton Distribution Centre in SE7 from Santander for £123.2 million. The 338,000 sf warehouse in Charlton Riverside adjoining the South Circular Road and Blackwall Tunnel. It was developed in 2012 and contains chilled, frozen and ambient logistics areas and serves an estimated 200 Sainsbury's stores across the South East. DWS Group is one of Europe's largest asset managers. It was originally Deutsche Bank's asset management arm before being floated separately in 2018, although Deutsche Bank still retains a majority shareholding.

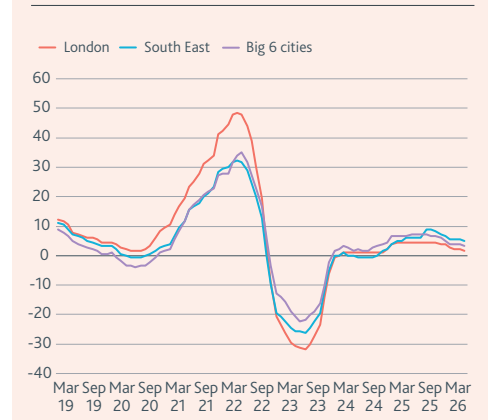
In the Midlands, Prologis UK completed the sale of a 909,000 sf, three-asset logistics portfolio to EQT Real Estate, for £130.25

Key centre 12m total returns



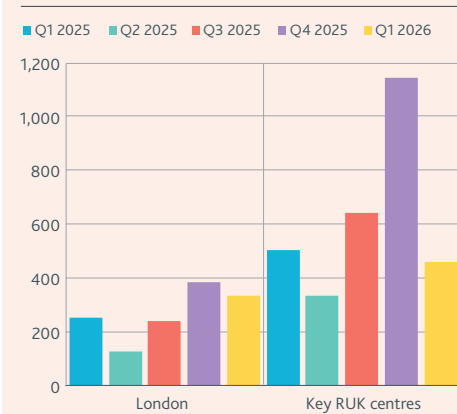
Source: MSCI, April 2026

12m capital growth



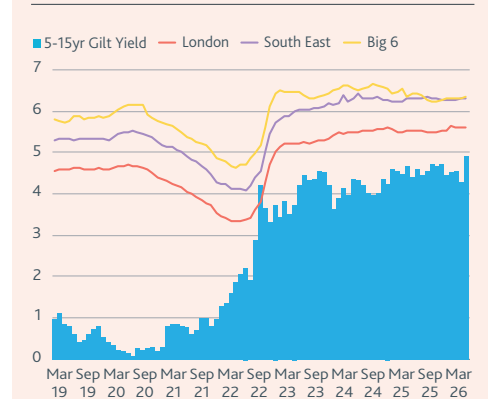
Source: MSCI, April 2026

Industrial investment (£m)



Source: CoStar, April 2026

Equivalent yields (%)



Source: MSCI, April 2026

¹ Investment volumes are the quarterly value of investment transactions adjusted for capital growth over the analysis period and provide a measure of transaction activity that is not obscured by changes in value.

million (5.65% NIY). The portfolio included two units at Rugby Central Park and a unit at Nuneaton's Bermuda Park. This sale highlights continued high demand for well-located logistics assets in the Midlands. The assets are fully let to Continental Tyres, Unipart, and Haier (Hoover owner) and others. EQT Real Estate, headquartered in Stockholm, manage approximately 270 billion euros in assets focused on the logistics and living sectors. In April this year capital raising for its European Logistics Value Fund V closed with commitments for 3.1 billion euros making it the largest ever pan-European, sector-specific real estate fund raising.

Featured investment transactions

Building	Price (£m)	Yield (%)	Price (£ psf)	Avg. uxp lease term (yrs)	Buyer
B1-B4 LOC8, Maidstone	43.89	4.84 (niy)	230	4	Aberdeen Group
Dukes Rd IE, Ealing	39.70	4.70 (NIY)	550		M&G Real Estate
Edmonton Trade Park	17.50	4.99 (NIY)	331	3.2	Clipstone IM
Crest Distribution Park, High Wycombe	38.50	5.00 (NIY)	335	8.0	DTZ Investors

Source: Cluttons, April 2026



Industrial focus

Summary tables

Availability (msf)

	Q4 2025	Q1 2026	5y avg.	Trending
London	18.89	19.50	13.25	
South East	30.24	31.09	20.71	
Logistics Triangle	53.61	56.53	37.54	
Manchester	11.59	12.85	8.28	
Leeds	7.22	7.31	5.80	
Rest of UK	129.95	130.72	91.62	

Source: CoStar, April 2026

Take-up (msf)

	Q4 2025	Q1 2026	5y avg.	Trending
London	0.88	0.85	1.31	
South East	3.09	2.24	2.82	
Logistics Triangle	4.87	5.21	6.04	
Manchester	0.90	0.43	0.98	
Leeds	0.63	0.46	1.05	
Rest of UK	8.48	7.48	11.41	

Source: CoStar, April 2026

Vacancy rates

	Q4 2025	Q1 2026	5y avg.	Trending
London	8.5%	8.7%	6.3%	
South East	7.5%	7.7%	5.5%	
Logistics Triangle	6.7%	7.1%	5.1%	
Manchester	5.4%	6.0%	4.1%	
Leeds	4.0%	4.0%	3.4%	
Rest of UK	6.2%	6.2%	4.6%	

Source: CoStar, April 2026

Completions ('000 sf)

	Q4 2025	Q1 2026	5y avg.	Trending
London	324	280	420	
South East	1,167	580	1,375	
Logistics Triangle	1,093	453	3,067	
Manchester	26	64	326	
Leeds	110	18	461	
Rest of UK	2,922	1,845	5,560	

Source: CoStar, April 2026

Construction ('000 sf)

	Q4 2025	Q1 2026	5y avg.	Trending
London	5,634	5,503	3,388	
South East	6,030	5,745	6,474	
Logistics Triangle	12,040	12,510	13,902	
Manchester	1,231	1,236	1,216	
Leeds	1,021	1,112	2,019	
Rest of UK	21,187	20,734	25,837	

Source: CoStar, April 2026

12m MRV growth

	Q4 2025	Q1 2026	5y avg.	Trending
London	4.8%	4.4%	8.4%	
South East	4.0%	3.9%	6.8%	
Logistics Triangle	4.7%	4.7%	6.0%	
Manchester	6.5%	6.1%	9.3%	
Leeds	5.1%	3.9%	6.8%	
Rest of UK	4.4%	3.9%	6.5%	

Source: CoStar & MSCI, April 2026

Average rents (£psf)

	Q4 2025	Q1 2026	Trending
London	20.30	20.30	
South East	13.20	13.20	
Logistics Triangle	9.10	9.20	
Manchester	8.50	8.70	
Leeds	7.50	7.60	
Rest of UK	8.30	8.30	

Source: CoStar, April 2026

Investment volumes (£bn)

	Q4 2025	Q1 2026	5y avg.	Trending
London	385.38	334.90	516.12	
South East	735.61	282.35	435.57	
Logistics Triangle	857.37	230.69	618.48	
Manchester	62.49	161.36	118.75	
Leeds	71.59	5.53	104.76	
Rest of UK	839.47	404.71	1116.58	

Source: CoStar, April 2026

Prime yields (%)

	Q4 2025	Q1 2026	Trending
Prime Distribution Sheds –Omrv	5.50%	5.50%	
Secondary Distribution Sheds	6.00%-6.50%	6.25%-6.75%	
Prime Industrial Within M25	4.75%	4.75%	
Prime Industrial Regional	5.25%-5.75%	5.25%-5.75%	
Secondary Industrial Estate	6.50%-7.25%	6.50%-7.25%	

Source: Cluttons, April 2026

9. Retail focus

According to March's BRC Retail Sales Monitor, an early Easter provided a much-needed boost to food sales. Non-food performance was more uneven: demand was robust for computers, toys, and homeware, but clothing and footwear continued to struggle. The disruption to international travel caused by the Middle East conflict also hit sales of travel-related goods.

All retail sales increased by 3.6% year on year in March, against a growth of 1.1% in March 2025. This was above the 12-month average growth of 2.6%. In-Store Non-Food sales increased by 1.4% year on year in March, against a decline of 0.1% in March 2025. Shopping centres outperformed other locations, and cities like Manchester continued to do well, but overall growth fell short of expectations. Online non-food sales increased by 0.1% year on year in March, against a growth of 1.8% in March 2025. This was below the 12-month average growth of 1.0%. The online penetration rate (the proportion of non-food items bought online) decreased to 37.6% in March from 38.1% in March 2025.

The impact of the war in the Middle East was highlighted in the latest trading statement

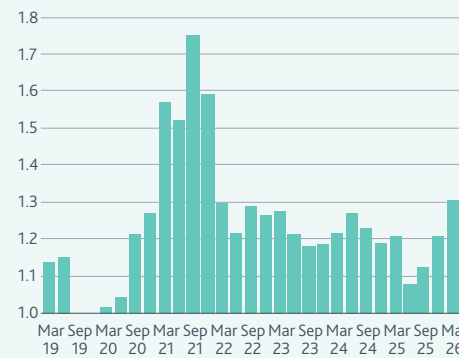
from Next. It set out an assessment of the impact on the business of the war, increasing its estimate of the cost of the conflict from an initial estimate of £15 million to £47 million. Across its UK business, Next anticipated cost increases in transporting goods from suppliers to the UK, distribution within the UK, and energy costs and plans to offset these costs by cost savings and margin gains.

Occupational view

- The UK is experiencing a reduction in retail space as secondary shopping centres are repurposed for mixed-use urban regeneration.
- As the amount of retail space available to let increases and take-up decreases any upward pressure on rents is easing. Retail Parks remain the strongest retail segment.

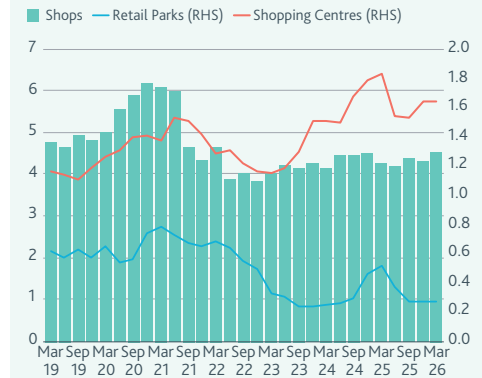
In March 2026 annual take up of all retail space was -18.8% lower than a quarter earlier and -36.0% lower compared to the same quarter last year. Shop and Shopping Centre net absorption rates were negative but Retail Park net absorption was positive for the second successive quarter. A negative reading indicates that more space is being released onto the market than is being let.

Central London shop availability ('000 sf)



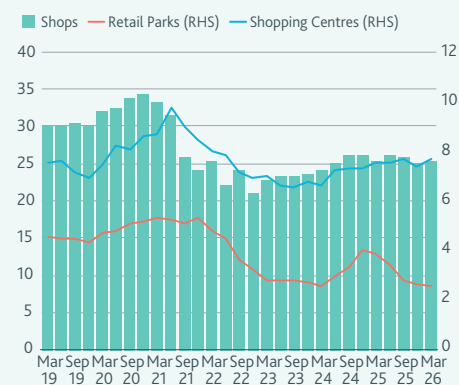
Source: CoStar, April 2026

South East retail availability (msf)



Source: CoStar, April 2026

Rest of UK Retail availability (msf)



Source: CoStar, April 2026

Rolling 12m take-up (msf)



Source: CoStar, April 2026

In Q1 nationwide Retail Park lettings increased after falling for the previous four consecutive quarters. However, y-on-y take up has decreased by -36.4%. The amount of Shopping Centre space let fell by -18.2% y-on-y and take-up was -60.2% lower than the same quarter last year. The amount of traditional retail space let y-o-y decreased by -18.8% in Q1 compared to Q4 2025 and has not risen for five consecutive quarters.

The UK has recently seen a notable reduction in the stock of retail space. A net 800,000 sf of retail space was lost in 2025, followed by a further 700,000 sf reduction in Q1 2026 as secondary shopping centres are being repositioned away from traditional retail toward mixed-use urban regeneration. The Oastler Centre in Bradford developed in 1970 from a previous open-air market was closed in June 2025. The site is now being redeveloped as part of the "Bradford City Village" scheme, which aims to create up to 1,000 new homes, public spaces and mixed-use development in the city centre. The Core in Leeds was originally developed in the 1960s and re-launched in 2009 but Town Centre Securities are now proposing a mixed-use re-development including Grade A offices, student accommodation and residential uses.

The amount of all UK retail space available to let increased by 2.0% in Q1 having fallen for the previous four quarters. Shopping Centre availability rose by 2.8% but Retail Park availability decreased for the fifth consecutive quarter. The availability of traditional shops increased by 2.1%.

Up to 150 out of more than 400 former WH Smith stores could close as part of a restructuring plan that is set to be implemented by Modella Capital, the specialist retail and consumer investment boutique which acquired part of the business in June last year. Previously Modella Capital announced that it would close all 154 stand-alone Claire's stores in the UK and Ireland. It also owns Hobbycraft, the arts and craft retailer. Modella cited "highly challenging trading conditions over the past year", "weak consumer spending and cost-of-living pressures" as reasons for the closures, alongside "rising operating costs as a direct result of government policy and recent geopolitical events".

All Shopping Centre market rental value (MRV) growth increased to 1.8% in the year to March from 0.6% y-on-y in Q4 2025 and 1.7% in Q1 2025. Retail Park rental growth continues to be stronger but decreased to 2.6% in the 12-months to March from 3.1% y-on-y in December last year. Standard High Street shop MRV growth has now been negative for four consecutive months. Growth of -2.4% y-on-y in December eased further to -2.6% in March.

In Central London shop MSCI recorded MRV growth of 4.6% y-on-y in March increasing from 2.8% in the 12 months to December. Shaftesbury Capital own and manage a portfolio of 2.8 million sf of lettable space London's West End including a broad mix of shops, restaurants, cafés and bars in Covent Garden, Carnaby Street, Soho and Chinatown. In its latest report the REIT reported significant rental growth in each of its locations with 434 leasing transactions completed during the year, 10.3% ahead of December 2024 MRV.

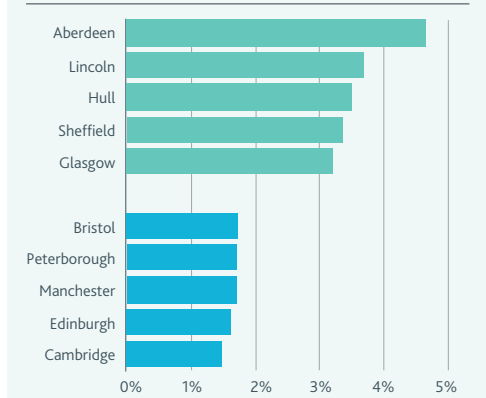


12m MRV growth



Source: MSCI, April 2026

Key centre vacancy rates



Source: CoStar, April 2026

Investment view

- Investment performance has weakened leading investors to scale back their transactional activity. But quality has replaced quantity.
- For those investors still active, the relatively high yields available have ensured liquidity in the prime parts of the market.

High income returns and a re-rating in yields continue to drive strong performance numbers from the Retail Sector relative to the All-Property average. However, Shopping Centre total returns decreased to 8.8% y-on-y in Q1 from 10.0% in December. Retail Park total returns slipped down to 8.0% y-on-y in March from 8.5% in September. High Street shop performance increased slightly in Q1 as total returns increased to 8.9% from 8.8% in Q3.

The indices suggest that yields for High Street shops in general have hardened by 125 bps in the year to end December and hardened by a further 24 bps in Q1. Central London yields softened / increased by 31 bps y-on-y in Q1. Shopping Centre yields softened / increased by 18 bps in Q1 and by 54 bps over the 12 months to March. Although Retail Park yields have hardened by 12 bps in the last year, they increased by 1 bp in Q1.

Retail Park investment volumes¹ decreased y-on-y in Q4 by -42.2% to £1.661 billion in 235 transactions or, £1.651 billion in current value terms, from £2.874 billion (£2.841 billion) in 364 transactions in Q3. Shopping Centre investment volumes decreased y-on-y in Q4 by -25.9% to £3.507 billion in 110 transactions or, £1.415 billion in current value terms, from £4.732 billion (£1.880 billion) in 138 transactions in Q3. Investment in traditional high street shops decreased q-on-q throughout 2025. Preliminary estimates indicate that All Retail investment volumes decreased by a further -14.0% to £5.489 billion (£4.788 billion) in 4,929 transactions in Q1.

At the end of the quarter the Waitrose and John Lewis at Home store on Crane Boulevard / Futura Park in Ipswich was sold for approximately £28.6 million (7.1% NIY). The combined supermarket and store of 71,000 sf with around 409 car parking spaces, was developed in 2012, and is fully let to the John Lewis Partnership on a long lease running to 2037. This was another acquisition by ATLAND on behalf of French real estate investment fund Épargne Pierre Europe.

Although the wider UK investment market has had a rocky 2026 so far, there has still been a reasonable churn of retail park deals. Banbury Cross Retail Park was sold to Melford Capital for around £40m. The Oxfordshire park was bought by 9Yards, Melford Capital's retail parks

12-month total returns



Source: MSCI, April 2026

Rolling 12m total returns



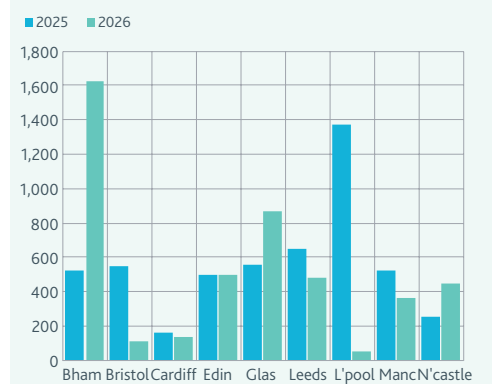
Source: MSCI, April 2026

Retail investment volumes (£m)



Source: CoStar, April 2026

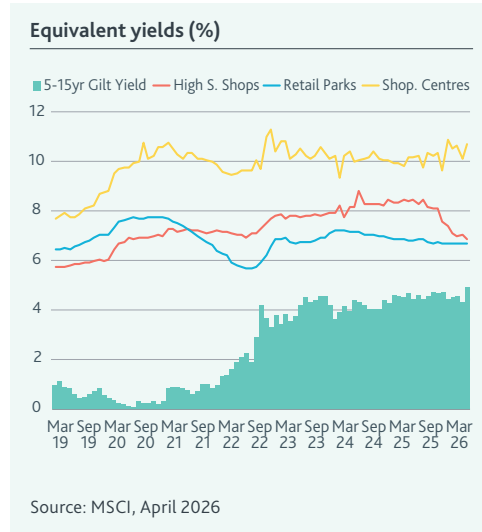
Key centre investment (£m)



Source: CoStar, April 2026

arm, which already owns and manages several other out-of-town assets. Realty Income Corporation has also completed the purchase of £320m of retail parks across two deals. It bought a collection of eight retail warehousing assets from Tristan Capital Partners for £250m, after twice expanding negotiations to acquire more parks than it had first planned to. Elsewhere, Realty has completed the purchase of £68m of regional retail parks from South Street Capital.

However, Q1's headline transaction was the sale of Merry Hill Shopping Centre in the Black Country for £290 million by a consortium of lenders to Intu, the shopping centre REIT which fell into administration in 2020. The mall developed between 1985 and 1990 on the site of a former steel works contains 1.6 million sf of retail space in more than 200 stores, with 10,000 parking spaces. Current anchor tenants include Marks & Spencer, Primark, Asda and Next. Leisure operators include Hollywood Bowl and Odeon Cinemas. There are also around 40–50 food, drink and café operators across the centre including roughly 10–15 full-service restaurants and bars, plus a large central food court. The centre was acquired by Redical, an investment and asset management company focused on owning and operating major retail and mixed-use destinations. It was founded in 2020 by Finnish real estate investors, and its current UK portfolio also includes Victoria Leeds, The Liberty Centre in Romford and Clayton Square, Liverpool.



Featured investment transactions

Building	Price (£m)	Yield (%)	Price (£psf)	Avg. uxp lease term (yrs)	Buyer
St James Quarter, Edinburgh (25% stake)	250.00	7.30 (niy)	1,157		Unibail-Rodamco-Westfield
Braehead Shopping Centre	270.00	9.60 (niy)	200		Frasers Group
Sprucefield Retail Park, Lisburn	48.900	7.10 (niy)	212		Realty Income Corp
Tesco Extra, Aylesbury	56.00	5.20 (niy)	622	11 yrs	Supermarket Income REIT
Monks Cross Shopping Centre, York	70.10	7.50 (niy)	255		Royal London
Goldstone Retail Park, Brighton	43.30	5.30 (niy)	528		Swiss Life

Source: Cluttons, Jan 2026

¹ Investment volumes are the quarterly value of investment transactions adjusted for capital growth over the analysis period and provide a measure of transaction activity that is not obscured by changes in value.

Retail focus

Summary tables

Availability (msf)

	Q4 2025	Q1 2026	5y avg.	Trending
London	5.38	5.60	5.23	
South East	4.31	4.56	4.17	
Rest of UK	25.15	25.43	23.70	
Shopping Centres	9.95	10.24	11.53	
Retail Parks	3.14	3.08	4.04	

Source: CoStar, April 2026

Take-up (msf)

	Q4 2025	Q1 2026	5y avg.	Trending
London	0.525	0.393	0.801	
South East	0.451	0.325	0.695	
Rest of UK	2.141	1.404	2.849	
Shopping Centres	0.627	0.525	1.240	
Retail Parks	0.260	0.294	0.876	

Source: CoStar, April 2026

Vacancy rates

	Q4 2025	Q1 2026	5y avg.	Trending
London	3%	3%	3%	
South East	2%	2%	2%	
Rest of UK	3%	3%	3%	
Shopping Centres	4%	5%	5%	
Retail Parks	2%	2%	3%	

Source: CoStar, April 2026

Completions ('000 sf)

	Q4 2025	Q1 2026	5y avg.	Trending
London	114.65	51.77	260.95	
South East	187.25	106.40	147.03	
Rest of UK	227.21	158.22	714.63	
Shopping Cen.	-	-	64.13	
Retail Parks	13.76	-	56.69	

Source: CoStar, April 2026

Construction ('000 sf)

	Q4 2025	Q1 2026	5y avg.	Trending
London	643	621	1,291	
South East	789	683	733	
Rest of UK	1,870	1,753	2,746	
Shopping Cen.	-	-	221	
Retail Parks	2	2	102	

Source: CoStar, April 2026

12m MRV growth

	Q4 2025	Q1 2026	5y avg.	Trending
London	9.1%	6.9%	2.7%	
South East	1.4%	1.1%	-0.6%	
Rest of UK	1.7%	0.8%	0.1%	
Shopping Centres	2.7%	3.5%	0.4%	
Retail Parks	2.9%	2.7%	1.4%	

Source: MSCI, April 2026

Average rents (£psf)

	Q4 2025	Q1 2026	Trending
London	42.90	43.30	
South East	26.20	26.50	
Rest of UK	19.00	19.00	
Shopping Centres	33.90	34.10	
Retail Parks	21.00	21.00	

Source: CoStar, April 2026

Investment volumes (£bn)

	Q4 2025	Q1 2026	5y avg.	Trending
London	276.94	225.00	477.42	
South East	542.18	154.31	297.53	
Rest of UK	1053.11	269.46	806.88	
Shopping Cen.	630.02	318.50	415.29	
Retail Parks	297.98	212.94	514.75	

Source: CoStar, April 2026

Prime yields (%)

	Q4 2025	Q1 2026	Trending
Prime Shops	6.25%-6.50%	6.25%-6.50%	
Secondary Shops	7.50%-9.50%	7.50%-9.50%	
Shopping Centres			
Prime – Dominant Regional	7.50%-8.00%	7.50%-8.00%	
Retail Warehouse			
Prime Parks (Open A1/Food Store)	5.25%	5.25%	
Prime – Solus (15Yrs/10Yrs)	5.75%-6.25%	5.75%-6.25%	

Source: Cluttons, April 2026

7. Outlook & house view

- February's IPF consensus outlook shows that All Property commercial market performance is expected to weaken from the November consensus at 8.3% to 8.0% in 2026. However, these latest forecasts were released prior to the onset of the conflict in the Middle East and are likely to be revised further downwards at the next release.
- Market rental value growth is expected to slow in 2026 but supported by some key segments, will remain above the 2% post GFC annualised average. All Property total returns are now expected to reach 9.0% in 2026, with a three-year annualised forecast of 8% through to 2028.

Even before the conflict started, forecasters' confidence in the outlook for UK commercial property in 2026 weakened in Q1. February's Investment Property Forum (IPF) consensus forecasts for total returns in 2026 decreased to 8.0% from 8.3% in November.

February's IPF consensus outlook for 2027 remained stable at 8.1%. Expectations are now that 2027 will mark the cyclical peak before market performance slips back. The IPF's average annualised total return forecast over the next three years to the end of 2028 has decreased from 8.0% in November last to 7.8% in February 2026.

Total return expectations for 2026 increased across all segments in February's survey except

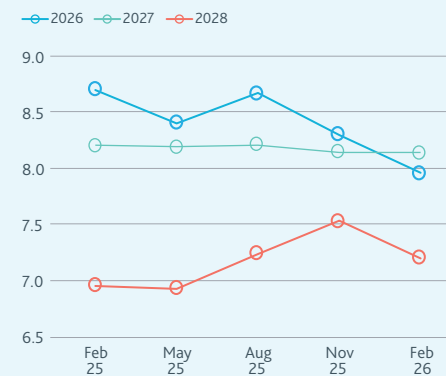
West End Offices. Expectations for 2026 remain highest for Shopping Centres and Retail Warehouses. The outlook continues to be weakest for Rest of UK offices.

The range of forecasts for 2026 widened in February, with the maximum prediction increasing to 9.9% and the minimum decreasing to 6.5%, a range of 3.4%, compared to 2.53% in November, suggesting the consensus view is widening again in the face of the uncertain economic headwinds. The range of forecasts for 2027 has narrowed to 3.0% for 2027, ranging from 6.9% to 9.9%. These forecasts, however, were compiled before the start of conflict in the Gulf.

The Q1 2026 RICS UK Commercial Property Monitor shows a tougher market, especially for investment. Respondents often mention heightened geopolitical tensions in the Middle East as impacting confidence. Credit conditions have worsened significantly this quarter, and the short-term outlook for capital values is negative.

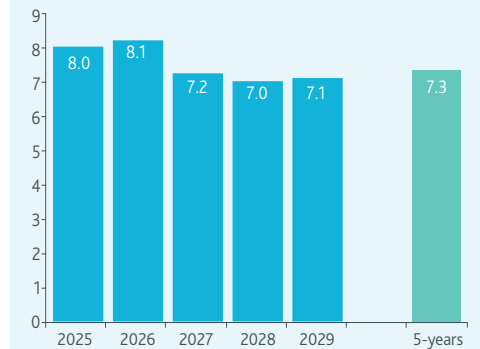
At the same time, the percentage of respondents who believe the market is in the early downturn phase has increased to 27% from 17% in Q4, indicating a clear decrease in those expecting an 'early upturn'. However, at least for now, conditions in the occupier market seem less affected, though the overall trend remains muted.

IPF Consensus forecast evolution (%)



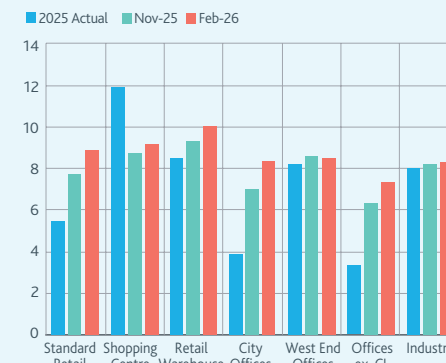
Source: IPF, Feb 2026

IPF All Property consensus forecasts y-by-y (%)



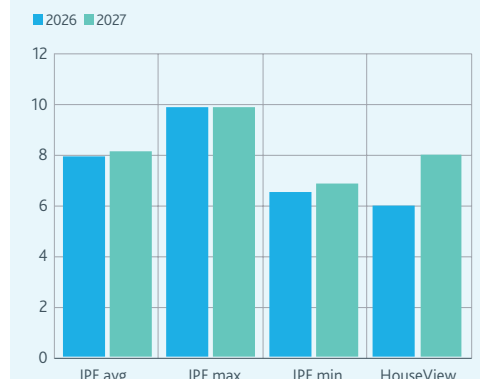
Source: IPF, Feb 2026

IPF 2026 total return forecasts by sector Feb 26 v Nov 25 (%)



Source: IPF, Feb 2026

UK commercial total return forecast range (%)



Source: IPF, APR & Cluttons, Feb & Apr 2026

The central forecast from the House View model is revised on a quarterly basis to reflect the changing macro-economic outlook and the current performance of commercial real estate. We started this year believing that the momentum behind UK commercial real estate's recovery would improve and that All Property total returns of 7.1% in 2025 would grow to 9% in 2026. Expectations were that inflation would continue a downward course allowing the MPC to further reduce base rate to boost the sub-par performance of the economy. Although we expected All Property market rental value growth to slow from 3.4% y-on-y at the end of Q4 2025, we nevertheless expected robust growth in Central London office and Retail Warehouse rental values. Lastly, we suggested a reduction in the risk free rate used to benchmark the capitalisation rate of property income, could be the result of stronger macro-economic growth and improved national finances. This outcome is now very much in doubt as a result of the attacks by the USA and Israel on Iran to which we have referred frequently throughout this report.

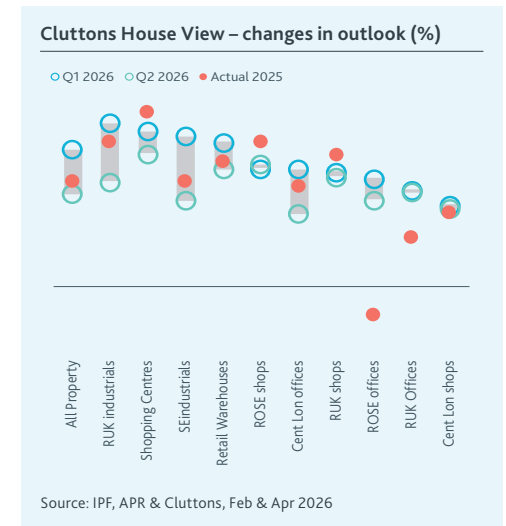
The current geo-political situation is broadly similar to the months after the Russian invasion of Ukraine when oil prices surged driving consumer price inflation higher. Central Banks reacted by increasing base rates and government bond yields reacted in a similar fashion.

At the start of 2022, UK year-on-year CPI inflation was 7.8%, which was attributed to supply side shortages after Covid pandemic

lockdowns; UK base rate was 0.25% and the yield on 10-year gilts was 1.32%. At the end of February 2022 Russian troops invaded Ukraine. The price of oil reached \$133 per barrel and remained above \$100 for almost 5 months. CPI inflation peaked at 14.0%. Eighteen months later UK base rates had risen to 5.25% and 10-year gilt yields had reached 4.51%. One consequence of this tightening of monetary policy was that annualised UK GDP growth slowed from 2.8% to 0.4% between June 2022 and June 2024. The MSCI's All Property equivalent yield de-rated by 200bps and capital values fell at an annualised rate of -15% but market rental values continued to increase at 3.5% a year.

In the absence of an immediate ceasefire and free access for shipping through the Strait of Hormuz, our base forecast has been reduced to 6% in 2026 and 7% over the three years to end-2028 assuming that there is no monetary tightening.

With strictly limited capital growth in the forecast, the main driver is income which benefits the higher yielding segments. In a worst-case scenario involving a pro-longed war, sustained high inflationary levels and monetary tightening All Property total returns could be 4%-5%. Performance could pick up to an annualised 6% over three years assuming there is a recovery towards the end of the forecast period as underlying conditions improve. Of course, the usual warnings apply regarding threats to financial markets from the further or heightened geo-political instability.



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