Commercial quarterly examiner

Economy | Offices | Industrial | Retail | Outlook

Q3 | 2026







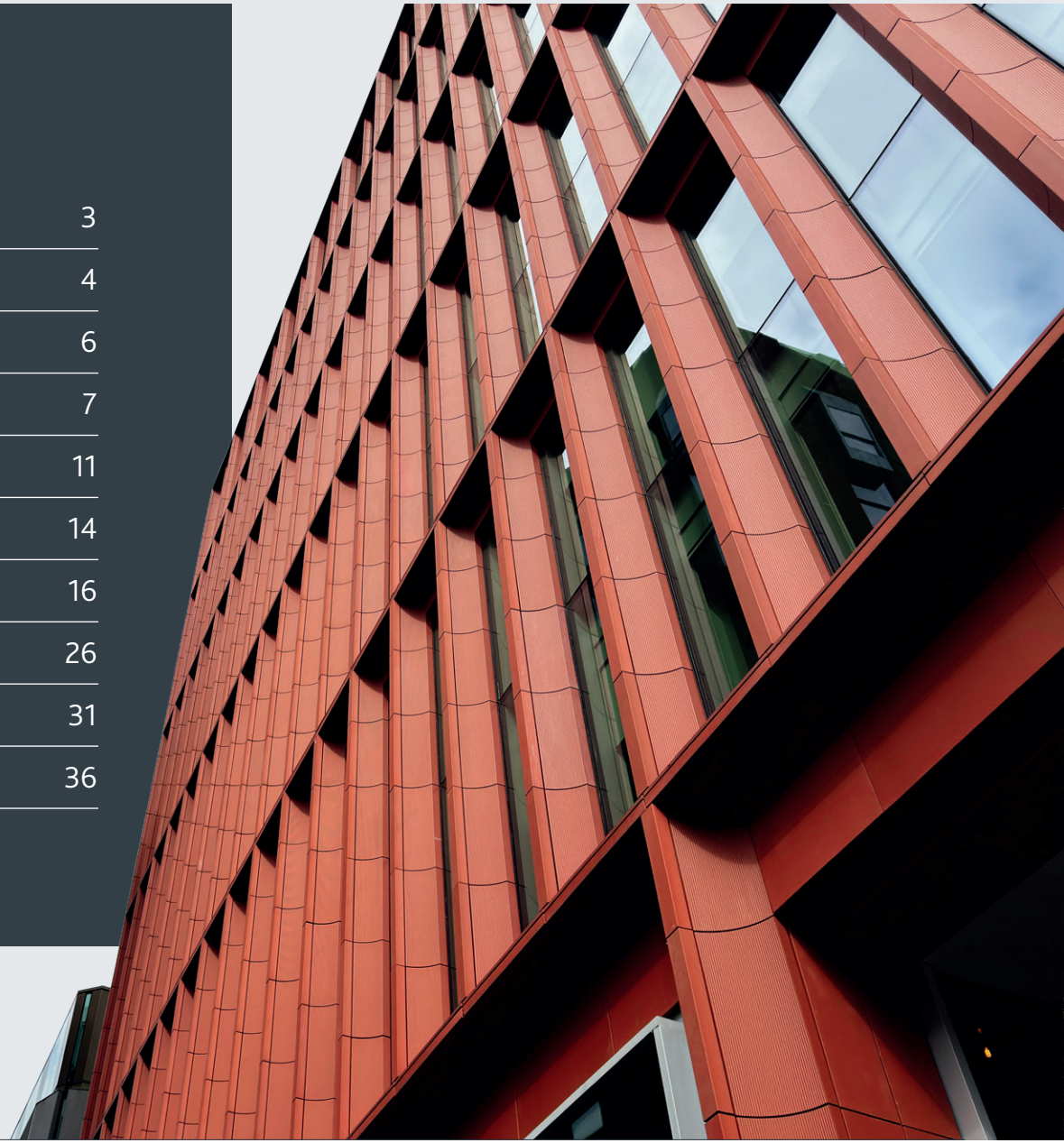
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1. Key takeaways

The economic repercussions of the Middle East conflict have intensified, with disruption to global energy supplies driving higher inflation and borrowing costs. Growth in the UK has been supported by technology-related services and AI investment, although the recovery remains narrowly based, with construction and other sectors struggling. Rising energy prices have reversed the recent improvement in inflation, prompting central banks to reconsider monetary tightening. The Bank of England faces increasing pressure to raise interest raise interest rates again, despite subdued labour demand and fragile consumer confidence. The Office for Budget Responsibility downgraded it's forecast for UK GDP growth to 1% next year.

Global equity markets delivered a mixed performance in Q3, with **US technology stocks** outperforming amid continued enthusiasm for artificial intelligence, while **Asian and European equities** weakened under pressure from geopolitical uncertainty, elevated valuations and rising interest rates. **UK equities** proved relatively resilient, supported by energy and commodity stocks. **UK REIT** share prices declined despite strong occupational markets and continued rental growth, reflecting concerns over financing costs and property valuations. **Sovereign bond yields** rose sharply across developed economies as investors reassessed inflation expectations and the outlook for monetary policy. **UK gilt yields** increased sharply, placing upward pressure on borrowing costs and property investment yields.

UK commercial property performance weakened further in Q3, with All Property total returns slowing as falling capital values offset continued rental growth, leaving income as the principal source of returns. Retail outperformed, benefiting from attractive yields and improving occupational demand, while offices remained the weakest of the traditional sectors despite strong rental growth and robust valuations for prime Central London assets. Industrial performance moderated as rental growth slowed and investment yields softened. Investment transaction volumes declined further, remaining substantially below historical averages, while domestic lending conditions showed signs of tightening. Rising gilt yields and borrowing costs have increased pressure on valuations, reinforcing differences between sectors and asset quality.

Expectations for UK commercial property returns have weakened further, with the RE:UK consensus forecasts revised downwards and the range of expectations widening amid increasing economic uncertainty. Cluttons has consequently reduced its forecast for 2026 All Property total returns to 4%–5%, anticipating further modest capital value declines as higher gilt yields and financing costs feed through into investment pricing. Nevertheless, resilient rental income and the absence of widespread forced selling should limit the risk of a severe correction. Looking ahead, easing geopolitical tensions, moderating inflation and improving monetary conditions could support a gradual recovery, lifting annualised total returns towards 7% over the next three years.

2. The UK economy

- **Despite escalating geopolitical tensions and rising energy costs, the IMF increased its forecasts for global GDP growth in 2026 and in 2027, while UK GDP growth has proved more resilient than expected this year, supported by AI-related investment and technology services.**
- **The outlook for UK growth next year is much more uncertain, with the Office for Budget Responsibility (OBR) cutting it's outlook for next year from 1.5% GDP growth to 1%.**

The conflict in the Persian Gulf has expanded geographically and intensified concerns over energy security, inflation and international trade. Hostilities, which disrupted shipping shipping through the Strait of Hormuz, have now spread westwards across the Arabian Peninsula to the Red Sea and the strategically important Bab al-Mandab Strait, threatening a second major route for international oil shipments.

Shipping movements have collapsed since the outbreak of war in February. According to Reuters, approximately 125 large commercial vessels per day passed through the Strait of Hormuz before the conflict. In early October less than ten vessels passed through each day. Based on European security sources, the FT has reported that 24 ships were hit in the first two weeks of October. Attacks by Yemen's Iranian-backed Houthis pose a further threat to Saudi infrastructure undermining Saudi Arabia's efforts to circumvent the Strait of Hormuz by transporting crude through its East-West pipeline to Yanbu.

Brent crude prices increased from approximately $84 per barrel in July to $125 in the first days of October. In the UK the forecourt price of diesel is over £2.00 per litre. Central Banks have reacted to continued inflationary pressures by considering increases in interest rates. In addition, higher inflation is one of a number of factors behind a spike in the yield on sovereign debt.

Global outlook

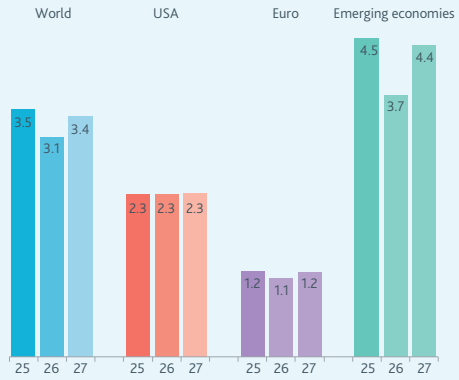
In October's **World Economic Outlook** (WEO) **the IMF** improved its 2026 global growth forecast by 0.1% to 3.1% and maintained its 3.4% forecast for 2027 despite persistent disruption to energy markets. Factors underlying this resilience include the rerouting of energy supplies; increased energy production in other countries; inventory drawdowns; switching to renewable energy; and higher energy efficiency. Secondly, the AI investment boom has driven global activity and supported international trade. Expectations for global headline inflation in 2026 remain at 4.7% but the outlook for 2027 has increased from 3.9% to 4.1%.

Domestic UK outlook

The UK economy held up better than expected during the summer, as the latest data indicates that year-on-year output has grown for the last seven months. The latest monthly estimate of GDP reports that real GDP is estimated to have grown by 0.1% in August 2026, following growth of 0.4% in both June and July. In the three months to August, GDP is estimated to have grown by 0.7% compared to the previous three-month period, following growth of 0.7% in the three months to May. Over the longer term, GDP is estimated to have grown by 1.8% in the 12 months to August, compared with the same period twelve months ago. Services grew by 2.2% and production output grew 0.8%. But construction shrank by -1.6%.

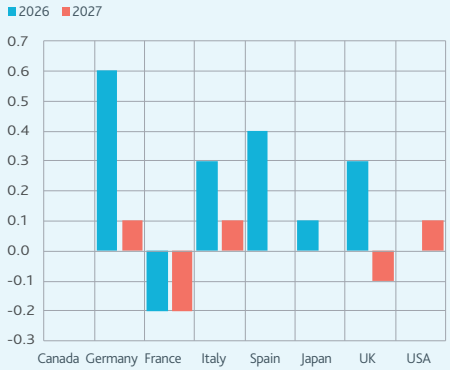
The largest contribution to quarterly growth came from professional, scientific and technical activities, and information and communication. Within these sectors, the specific industries include computer programming (e.g. Sage and Accenture, scientific R&D (e.g. AstraZeneca and GSK) and information services (e.g. Bloomberg and Dun & Bradstreet). Strong growth from these sectors reflect the contribution of AI-related expenditure and technology services. It is estimated that AI-related spending may

GDP forecasts by region, by year (%)



Source: IMF, Oct 2026

Revisions to GDP forecasts (Jun v Oct) (%)



Source: IMF, Oct 2026

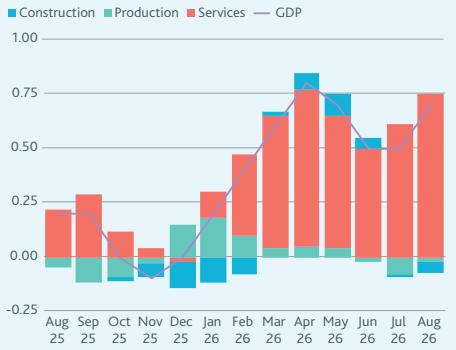
have accounted for as much as one-third of economic growth during the first seven months of the year. Although the expansion of technology-related activities offers considerable potential for future productivity gains, its immediate benefits remain concentrated in a relatively narrow range of industries. With construction output contracting and other sectors struggling, headline GDP growth does not as yet signal a broad-based recovery.

Stronger economic growth has had a mixed impact on jobs. The latest labour market figures released by ONS indicate that unemployment fell to 4.7% in the three months to August, from 4.9% when many economists were expecting a rise to 5%. The figures also showed that the number of payrolled employees rose by 13,000 between August and September, to 30.3m. However, job vacancies fell by 21,000 to 691,000 in the three months to September, the lowest since 2021 during the Covid pandemic. One possibility is that AI is driving productivity improvements. Barclays recently announced it is cutting 5,000 jobs, largely from support staff and developer roles as the bank increases its investment in technology.

Business surveys suggest that despite geopolitical uncertainty and a rising cost base the UK economy will continue to expand modestly during the remainder of the year. Growth, however, will remain uneven, with resilient technology-related services offsetting subdued activity elsewhere. October's **S&P Global UK Composite PMI** indicates that private-sector activity continued to expand in September, although the pace of growth moderated. Growth slowed in the services sector, while manufacturing activity remained subdued despite some improvement. Nevertheless, technology-related services remained resilient, supported by investment in digital transformation and artificial intelligence. Overall, the survey suggests that UK economic growth remained modest during the third quarter, with activity increasingly dependent on a relatively narrow range of expanding industries rather than a broad-based recovery.

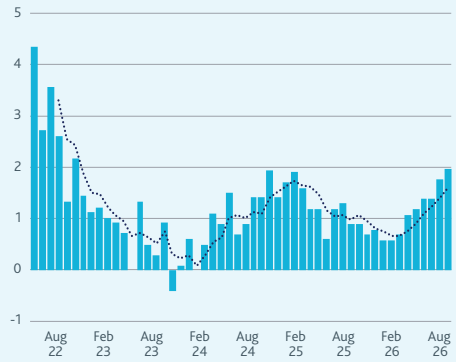
At its November meeting, the Monetary Policy Committee (MPC) noted that the UK economy had performed more strongly than expected in recent months, supported by technology-related investment and stronger exports. The Bank forecasts GDP growth of 1.6% in 2026 and 1.3% in 2027, compared with the OBR's more pessimistic projections of 1.2% and 1.0%, respectively. Nevertheless, higher energy costs, pressure on household incomes and elevated borrowing costs are expected to constrain domestic demand. Prospects for a resolution of the Middle East conflict following the US midterm election results, however, will have improved the outlook for 2027.

Gross Value Added (GVA)%
(3 month on 3 month growth)



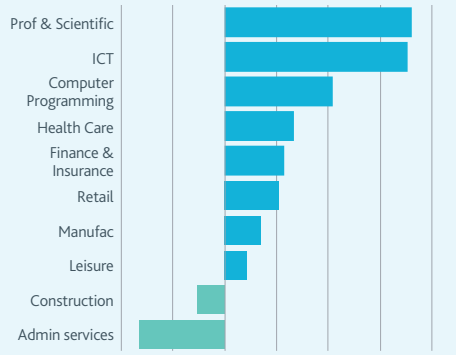
Source: ONS, Oct 2026

UK economic growth y-on-y (%)



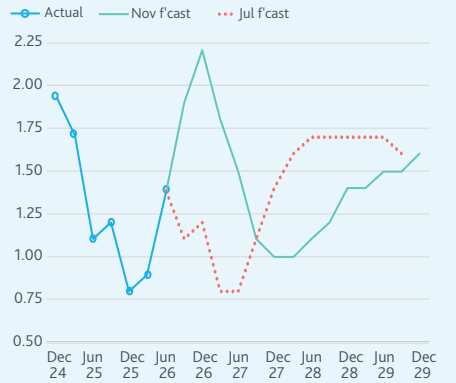
Source: ONS, Oct 2026

Weighted contribution to GVA (12m to June 2026)



Source: ONS, Oct 2026

GDP index and November's MPC forecasts



Source: ONS & Bank of England, Oct 2026

3. Inflation and prices

- **UK inflationary pressures have intensified, driven principally by rising energy and fuel costs, while increases in core inflation, services prices and wage growth suggest that underlying domestic price pressures remain persistent despite subdued consumer confidence and limited real earnings growth.**
- **The Bank of England is increasingly adopting a more cautious stance, with growing concerns that sustained increases in energy prices could generate second-round inflationary effects, raising the prospect of renewed monetary tightening despite continuing weaknesses in parts of the economy.**

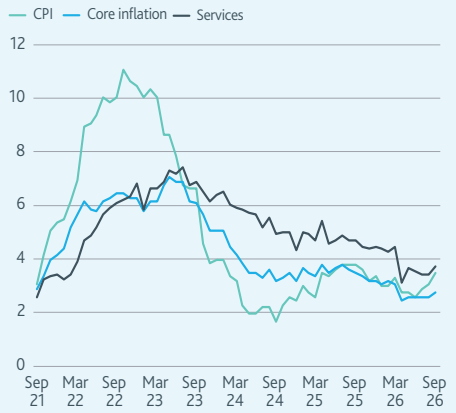
The latest CPI numbers indicate that 12-month inflation rose to 3.5% in September from 3.1% the previous month and from 2.6% in June. This is the highest rate since October 2025. Transport, particularly motor fuels, made the largest upward contribution to the monthly and annual change in CPI rates as the price of diesel at the pumps rose to £2.00 per litre. The leisure sector made the largest downward contribution as restaurants and hotels cut their prices in an attempt to attract customers with squeezed household budgets. CPI only measures direct consumer goods, services, and private rental costs but does not measure increased mortgage and home ownership costs. But with the price of oil continuing above $100 per barrel and spiking higher, the upward pressure on prices will continue.

Core inflation excluding energy, food, alcohol and tobacco has also risen to 2.8% in September from 2.6% in June. Although this remains above the 2.1% average registered between the Global Financial Crisis (GFC) and the pandemic, it is 60 bps below the level reached in October 2025 when CPI was last above the current level. Service sector inflation increased to 3.7% y-on-y in September from 3.6% in June and 4.5% in October 2025.

Annual wage growth excluding bonuses increased to 3.7% in the three months to August, compared to 3.4% in the three months to May. On a real basis, average pay increased by 0.3% in the year to August slightly easing the cost-of-living crisis. However, PwC's autumn Consumer Sentiment Survey shows that 85% of consumers worry about everyday cost-of-living staples, particularly energy and fuel prices.

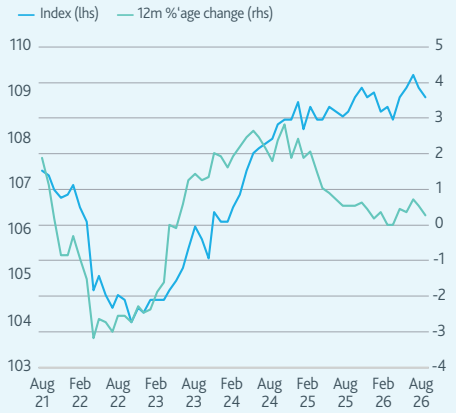
At its November meeting, the MPC expressed concern that higher energy and transport costs will feed through into wider consumer prices, wage settlements and inflation expectations, prolonging domestic inflationary pressures. However, the OBR anticipates more limited second-round effects, reflecting weaker household demand and labour market conditions. The MPC now expects annual CPI inflation to peak at approximately 4.9% in Q2 2027, compared with the OBR's lower forecast of 3.75%. Both institutions expect inflation to return towards the 2% target during 2028. The enhanced prospects for a resolution of the Middle East conflict following the US midterm election could materially improve this outlook. In the days following announcement of the results the price of Brent Crude fell 9% to $95 a barrel; the lowest since August.

CPI inflation (%pa)



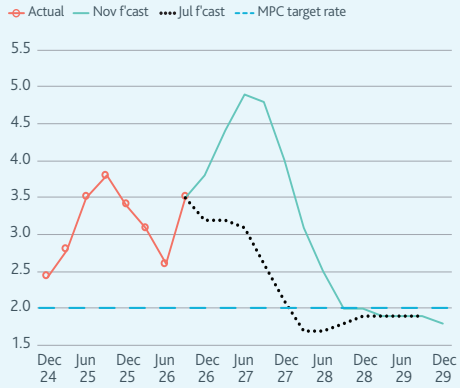
Source: ONS, Oct 2026

Real pay index, sa (May 2005=100)



Source: ONS, Oct 2026

Annual CPI and November's MPC forecasts



Source: ONS & Bank of England, Oct 2026

4. Stock markets, interest rates & asset yields

- **Global equity markets delivered mixed performances in Q3, with US technology stocks outperforming amid continued enthusiasm for artificial intelligence, while Asian and European markets weakened as geopolitical uncertainty, persistent inflation, rising bond yields and concerns over elevated valuations weighed on sentiment. UK equities remained relatively resilient, supported by energy and commodity stocks.**
- **UK REIT share prices weakened in Q3 as rising gilt yields and expectations of higher borrowing costs weighed on investor sentiment, despite resilient occupational markets, strong leasing activity and continued rental growth across prime retail, industrial, logistics and office assets, with investment performance increasingly dependent on income growth and active asset management.**

Global and US markets

Global equity markets delivered mixed returns in Q3 2026, reflecting geopolitical tensions, persistent inflationary pressures and higher energy prices arising from continued hostilities between Iran and the USA. Sharply rising bond yields have added to the uncertainty. In Q3 the MSCI World Index gained 1.9% in USD terms, supported by US technology stocks and continued enthusiasm for artificial intelligence and digital infrastructure.

In the US, robust economic data and accelerating business activity underpinned strong performance from equity markets, with the NASDAQ gaining 3.7% and S&P 500 rising 2.9%. However, performance varied considerably and the Dow Jones declined 2.0%, illustrating the continued narrow focus on AI and "Tech". Microsoft, Meta, Apple and Nvidia delivered strong growth in the quarter while Tesla and Alphabet fell back. Following the successful flotation of SpaceX in June which raised approximately $86 billion and valued the business at around $1.8 trillion, its share price fell 11.7% during Q3.

Asian equities weakened in the third quarter. Following strong gains in Q2 Japan's Nikkei declined 4.7% as elevated valuations prompted profit-taking. South Korea's KOSPI also came under pressure, with semiconductor giants Samsung Electronics and SK Hynix particularly vulnerable to concerns over stretched valuations and AI investment sustainability.

European and UK markets

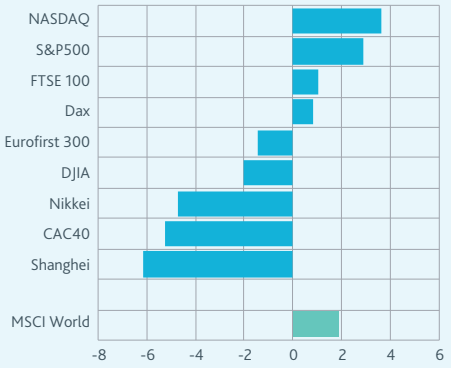
Although Eurozone GDP growth rose by 0.6% q-on-q in Q2, European equities weakened in Q3, with the Eurofirst 300 declining 1.5% and France's CAC 40 falling 5.2%, as the ECB raised interest rates by 25 bps in September. The UK's FTSE 100 gained 1.0% in Q3, supported by energy and mining stocks, including BP (+17.6%) and Glencore (+7.0%).

MSCI World index in 2026



Source: iShares, Oct 2026

World stock markets in Q3 2026 (%'age growth)

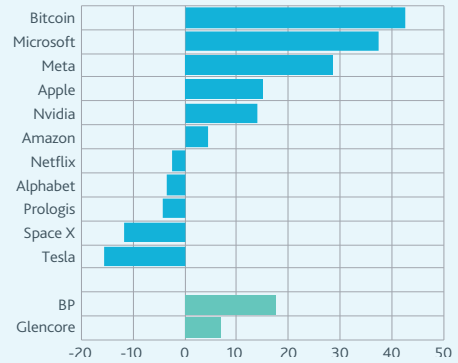


Source: Yahoo Finance, Oct 2026

UK REITs

The FTSE REIT index once again fell back as investors contemplated the impact of higher risk-free rates on valuations and the likelihood of increased borrowing costs with at least one, if not two, interest rate rises anticipated before the end of the year. In Q3 real estate equity prices fell by -2.6% having risen by 15.8% in Q2. The dividend yield on the REIT index increased from 5.2% to 5.4%.

Tech & other selected stocks in Q3 2026 (%'age growth)



Source: Yahoo Finance, Oct 2026

Trading updates and interim results published by major UK REITs during Q3 2026 generally highlighted durable occupational markets. Strong leasing activity and rental growth supported prime retail, industrial and logistics, and high-quality office assets. However, investment valuations remained sensitive to upward pressure in property yields. Performance remained driven by rental growth and active asset management rather than capital appreciation.

Shaftesbury Capital reported strong leasing activity in its July interim results across its portfolio concentrated in London's principal West End retail and entertainment destinations. The company completed 226 leasing transactions, with rents agreed 18% above previous passing rents and 5% ahead of December 2025 MRVs. Portfolio valuations rose 3.4%. The results reflected sustained occupier demand for retail and hospitality accommodation in London's principal shopping and leisure destinations supported by increasing footfall.

SEGRO's £14 billion acquisition by US logistics property group Prologis, announced in August 2026 and approved by shareholders in September, is expected to complete during the first half of 2027, subject to regulatory clearance and court approval. In the meantime, it reported improving occupational demand across its industrial and logistics portfolio in its July interim results. Like-for-like net rental income increased 5.3%. UK Urban industrial MRV's grew by 1.7% and Big-box logistics 5.2% in H1. SEGRO also reported a 44% uplift on UK rent reviews and renewals. However, portfolio valuations declined 1.2%, as investment yields came under pressure.

SEGRO secured £24 million of new development pre-lettings during H1 2026, including approximately 397,000 sq. ft at SEGRO Park Coventry reflecting continued strong demand for modern logistics accommodation. The company also expanded its strategic data centre development pipeline. Its UK data centre development pipeline would require approximately 0.77 gigavolt-amperes (GVA) to operate. A typical mid-sized UK town with a population of 100,000–150,000 people might have a peak electricity demand of approximately 0.1–0.2 GVA.

Trading updates from **British Land** and **Land Securities** highlighted continued rental growth across prime London offices, Retail Parks and Shopping Centres. British Land reported a 1.5% increase in portfolio valuations during the six months to September 2026, supported by 3.0% growth in MRVs. Its London office campuses including Broadgate, EC2 and Regent's Place, NW1 recorded MRV growth of 3.9% and capital appreciation of 1.6%, while the Retail Park portfolio with assets such as Teesside Park, Fort Kinnaird and Glasgow Fort achieved rental growth of 2.7% and valuation gains of 2.4%.

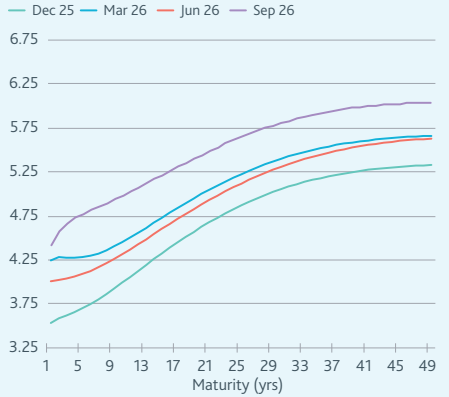
Land Securities' results for the year to March 2026 similarly showed strong rental growth, with MRVs from its office portfolio including New Street Square, EC4 and Cardinal Place and Nova

UK Reit price movement in Q3 2026 (%'age growth)



Source: Yahoo Finance, Oct 2026

Gilt yield curve (%)



Source: Bank of England, Oct 2026

UK gilt yields (%)



Source: Bank of England, Oct 2026

10-yr UK gilt yield



Source: Bank of England, Oct 2026

in Victoria SW1, increasing 7.1%. MRV's across its portfolio of regional shopping centres such as Bluewater, Liverpool ONE and Trinity Leeds rose 5.8%. However, office capital values declined marginally, while retail valuations increased 4.6%, highlighting the contrasting investment performance of the two sectors.

Yields and interest rates

In Q3 the yield on UK gilts jumped by 58 bps for shorter maturities and 54 bps for ten year and longer maturities. The yield on the 5-15 year gilt index softened by 60 bps in the second quarter to 5.37%. This is reflected in the total return performance on the FTSE Actuaries 5-15 year gilt index in Q3 of -3.00%. Over the last 12 months, the gilt index has provided a total return of 0.14% as yields have increased by 72 bps since September 2025. Yields on this index were last at this level in 1998. UK 10-year gilts are their highest level since 2007.

The recent dramatic fall in the price of sovereign debt has been a common theme across developed markets reflecting a degree of synchronicity with US markets. Specifically, for the UK it has been attributed to increased interest rate expectations in the shorter term; and in the longer term to heightened inflationary concerns, the national accounts, quantitative tightening and the movement from defined benefit to defined contribution pension schemes.

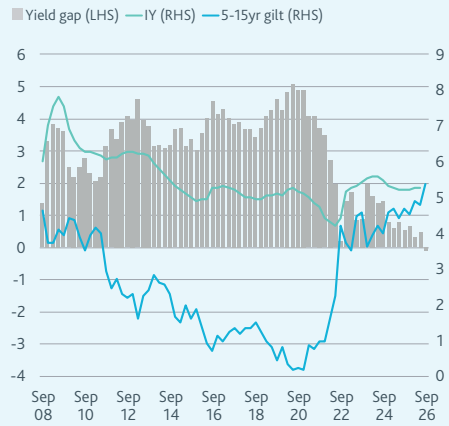
Crude oil prices are highly cyclical. Although the oil and gas crisis triggered by the blockade of the Strait of Hormuz is "more serious than the ones in 1973, 1979 and 2022 together", according to the head of the International Energy Agency, oil prices have been higher in the recent past. In 2008 the inflation adjusted price surpassed $200 per barrel and in 1980 and again in 2011 a barrel of oil was priced at $170. The latter two episodes were triggered by the Iran-Iraq War and the Arab Spring.

In September the MPC estimated that quantitative tightening had contributed just 20–30 basis points to the 200-basis-point increase in long-term gilt term premia since February 2022 but nevertheless announced a longer-term programme to unwind its remaining monetary policy gilt holdings by 2034, easing the impact on gilt markets. The MPC also highlighted structural changes in institutional demand for gilts, particularly from pension funds. The findings suggest that longer-term borrowing costs could remain elevated even if Bank Rate declines.

At its November meeting, the Monetary Policy Committee (MPC) voted by an 8–1 majority to increase Bank Rate by 25 basis points to 4.0%, its first increase since 2023. The Committee judged that stronger-than-expected economic activity and the prolonged energy price shock had increased the risk of persistent domestic inflation, warranting a more restrictive monetary policy stance. Further increases remain possible, particularly if higher energy costs become embedded in wage settlements, inflation expectations and business pricing decisions. However, the MPC emphasised that future decisions would remain data-dependent, reflecting considerable uncertainty surrounding the Middle East conflict. Prospects for a negotiated settlement and lower energy prices could reduce the need for further tightening, although interest rates are likely to remain elevated in the near term.

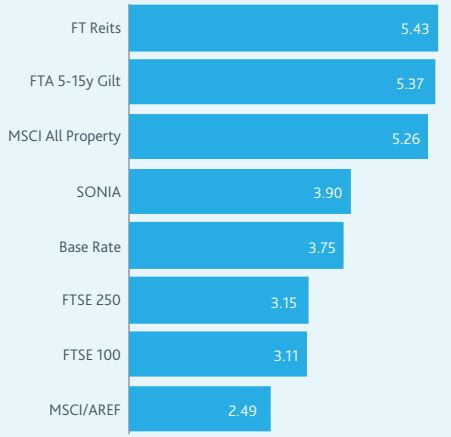
Before the latest developments, the markets were pricing in 5 rate rises, anticipating rates peaking at 5.00% in late 2027 / early2028. Bloomberg is now reporting that the implied terminal Bank Rate has fallen to 4.75%. However, the Bank of England has cautioned against interpreting this as evidence that investors necessarily anticipate these substantial increases in interest rates. Much of the upward movement reflects higher risk

Property IY – Gilt yield gap (%)



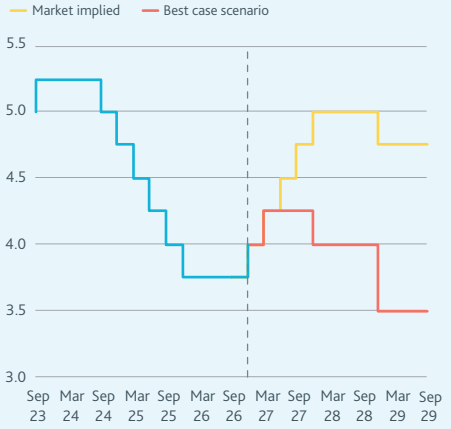
Source: MSCI & Bank of England, Oct 2026

UK asset yields Q3 2026 (%)



Source: Yahoo Finance & MSCI, Oct 2026

MPC Bank Rate & forecast



Source: Bank of England, APR & Cluttons, Oct 2026

premia. In addition, the Bank's latest survey of market participants indicated expectations for Bank Rate to reach 4.25% by February 2027, although several MPC members suggested that further increases could be necessary if inflationary pressures persist.

The sustained increase in medium and long-term gilt yields has placed renewed upward pressure on UK commercial property investment yields, narrowing the premium available over government bonds. Higher borrowing costs and reduced relative returns have weakened investor demand, contributing to outward yield movements and declining capital values during the third quarter. However, the impact varies considerably between sectors; a more detailed analysis follows in the next section. With yields only likely to soften in the short term, support for current values will depend on rental growth and asset management.

In late October, Chancellor John Healey announced a cautious Budget offering no increases in headline Income tax, National Insurance or Corporation tax rates. Funding for limited new spending commitments including household energy support, affordable housing, defence and AI investment will come from reallocating existing budgets rather than additional borrowing. The gilt market reacted in a neutral to mildly positive fashion as the 10-year gilt yield fell by 2 bps to 5.32%.



5. Commercial property market performance

- **UK commercial property returns weakened further in Q3 as falling capital values and outward yield movements offset continued rental growth, leaving income as the principal driver of performance. Rising gilt yields and borrowing costs increased pressure on valuations and widened the divergence between sectors, locations and asset quality.**

- **Retail continued to outperform, supported by attractive income yields and improving rental growth, while offices remained weakest overall despite resilient prime Central London assets benefiting from strong occupier demand. Industrial performance also weakened as rental growth slowed and yields continued to soften from the record levels reached earlier in the cycle.**

Performance slowed further in Q3 but the impact of falling capital values was mitigated by income and UK commercial real estate continued to deliver positive returns. Rental growth and improving occupancy provided support, while investment pricing remained sensitive to financing costs and bond yields. The result was a market with substantial differences between sectors, locations and asset quality.

Risk free rates rose by 60 bps in Q3, while the All Property initial yield hardened slightly, albeit by less than 1 bp. Consequently, the property initial / gilt yield gap has now reversed and the yield on the 5-15 year gilt index now stands at a premium to the All Property initial yield reinforcing concerns over future downward adjustments to pricing levels remain.

All Property total returns eased to 1.1% in Q3 from 1.2% in Q2. Capital values fell by -0.3%, leaving income as the principal source of return. Market rental value (MRV) growth was 0.7% and the equivalent-yield impact, which measures the change in value caused by movements in the equivalent yield, was -0.7%.

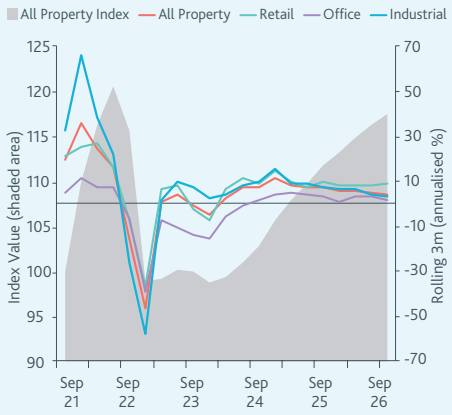
All Property total returns decreased to 5.2% y-on-y from 5.9% in the year to June and in the year to date have further decreased to an annualised rate of 5.0%. Capital values fell by -0.4% and Income provided 5.7%. MRV growth was 3.1% and equivalent yield impact -2.4%.

Retail was the strongest performing sector in Q3. Following a prolonged structural adjustment and repricing, most retail segments are now benefiting from more sustainable capital valuations and offering relatively attractive investment yields. The average net initial yield on Shopping Centres is 8.0%. Rack rented Retail Parks and Supermarkets provide an income of 6.0%. However, Central London retail initial yields are 3.5% requiring the support of strong MRV growth which is currently running at 7.1% year-on-year.

Offices remain the weakest sector. Total returns in Q3 were 0.5%. Capital values fell by -0.9% in the quarter and in the year to date have decreased at an annualised rate of -2.8%. These average numbers for the sector, however, conceal a pronounced split between prime and secondary assets; and between London and the rest of the country.

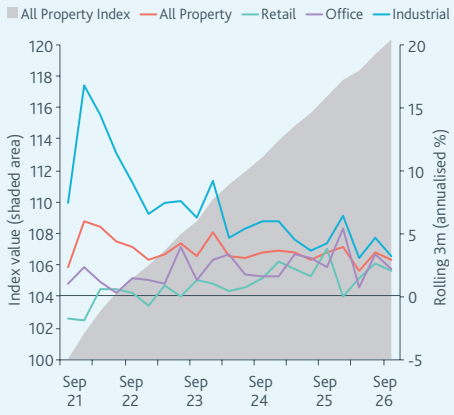
High-quality, well-located and energy-efficient buildings continue to benefit from strong occupational demand and a weak development pipeline of newly constructed office buildings. Core central London locations across the West End, Midtown and the City showed stronger performance. Prime Central London offices benefitted from capital value growth of 4.7% in the year to June and MRV growth of 8.4%. However,

Total returns (%) by sector



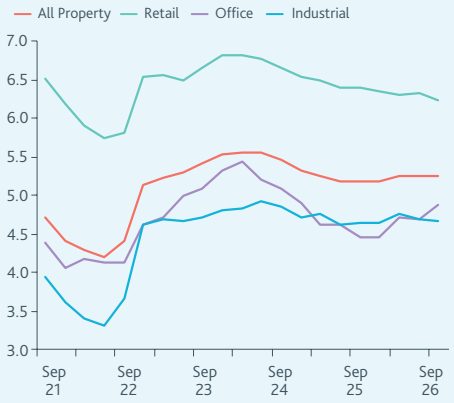
Source: MSCI, Oct 2026

MRV growth (%) by sector



Source: MSCI, Oct 2026

Initial yield (%) by sector



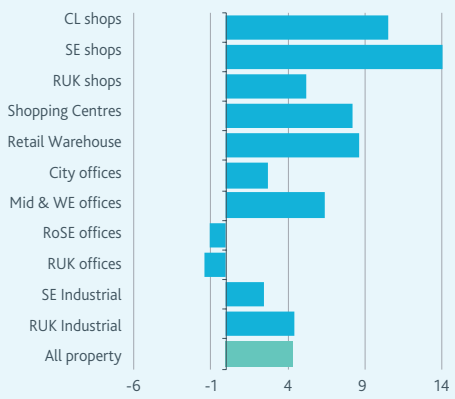
Source: MSCI, Oct 2026

secondary offices not only face softer occupational demand but also require significant capital spending on refurbishment.

The Industrial market has suffered a highly volatile last five years. Capital growth peaked at 37% y-on-y in 2022 supported by average annual MRV growth of 13% across the UK and 19% in London. All industrial MRV growth has since slowed to 4.3% y-on-y and capital growth is just 0.1% in the year to September. In 2022 industrial assets were priced off a yield of 3.5% but capital values in the sector are increasingly under pressure from the current interest rate environment. The average initial yield at the end of September had risen to 4.7%.

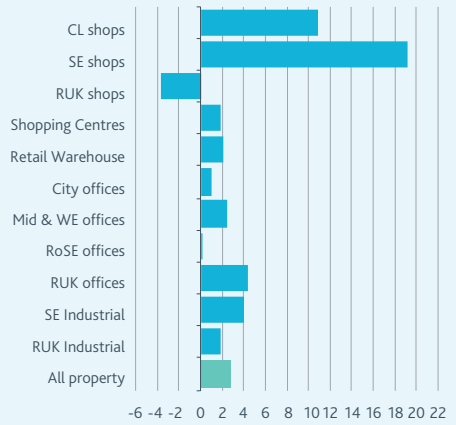
The tables included contain further performance data for UK commercial real estate in Q3 2026.

Total returns (%) by segment - Q3 2026 annualised



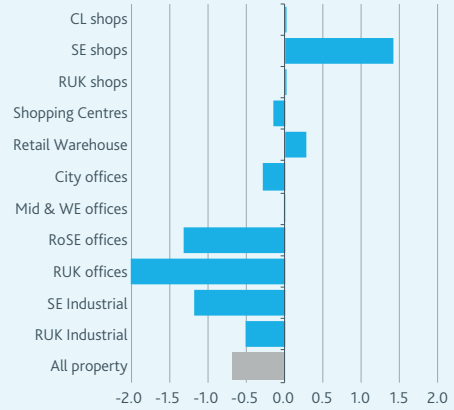
Source: MSCI, Oct 2026

MRV growth (%) by segment Q3 2026 annualised



Source: MSCI, Oct 2026

Yield impact (%) – Q3 2026



Source: MSCI, Oct 2026



Total returns (%)

	Sep	3m	6m	12m
All Property	0.3	1.1	2.3	5.2
Retail	0.8	2.1	4.2	8.4
Office	0.1	0.5	1.2	2.0
Industrial	0.2	0.8	1.8	5.1
Annualised				
All Property	3.6	4.3	4.6	5.2
Retail	9.5	8.6	8.5	8.4
Office	0.6	1.9	2.4	2.0
Industrial	2.3	3.1	3.6	5.1

Source: MSCI, Oct 2026

Capital growth (%)

	Sep	3m	6m	12m
All Property	-0.2	-0.3	-0.5	-0.4
Retail	0.2	0.5	0.9	1.5
Office	-0.4	-0.9	-1.5	-3.2
Industrial	-0.2	-0.5	-0.7	0.1
Annualised				
All Property	-2.0	-1.3	-1.0	-0.4
Retail	2.9	1.9	1.8	1.5
Office	-4.7	-3.4	-3.0	-3.2
Industrial	-2.8	-1.8	-1.3	0.1

Source: MSCI, Oct 2026

Income return (%)

	Sep	3m	6m	12m
All Property	0.5	1.4	2.8	5.7
Retail	0.5	1.6	3.3	6.7
Office	0.5	1.3	2.7	5.4
Industrial	0.4	1.2	2.5	4.9
Annualised				
All Property	5.8	5.7	5.7	5.7
Retail	6.4	6.6	6.6	6.7
Office	5.6	5.4	5.5	5.4
Industrial	5.2	5.0	5.0	4.9

Source: MSCI, Oct 2026

MRV growth (%)

	Sep	3m	6m	12m
All Property	0.3	0.7	1.6	3.1
Retail	0.3	0.5	1.1	1.5
Office	0.2	0.5	1.3	2.9
Industrial	0.5	0.8	1.9	4.3
Annualised				
All Property	4.1	2.9	3.2	3.1
Retail	3.4	2.0	2.3	1.5
Office	2.1	2.1	2.7	2.9
Industrial	6.2	3.2	3.9	4.3

Source: MSCI, Oct 2026

Net initial yield (%)

	Sep	3m	6m	12m
All Property	5.3	5.3	5.2	5.2
Retail	6.2	6.3	6.3	6.4
Office	4.9	4.7	4.7	4.5
Industrial	4.7	4.7	4.8	4.6

Source: MSCI, Oct 2026

12m performance by strategy relative to All Property average Q2 2026 (%)

	Low yield	High yield	High rent	Low rent	Long lease	Short lease
Shops	2.0	1.7	3.1	2.0	1.0	3.9
Shopping Centres	-2.7	6.0	4.9	-2.7	-0.8	2.9
Retail Warehouses	1.3	5.2	2.3	1.3	1.6	3.0
Central London offices	3.1	-10.6	4.2	3.1	3.4	-7.0
RoSe offices	-0.7	-13.5	-5.9	-0.7	2.4	-7.2
RUK offices	2.2	-10.0		2.2	2.7	-5.2
Industrials	-0.5	-0.1	-1.8	-0.5	0.1	0.0

Source: MSCI, Oct 2026

6. Investment in property

- **UK commercial property investment activity weakened further with transaction volumes declining and remaining substantially below historical averages, while institutional interest in alternative sectors strengthened, reflecting demand for diversified income and exposure to structural growth opportunities. There are indications of a recovery in Central London office investment supported by the early signs of renewed interest from overseas investors, with activity increasingly concentrated in fringe locations.**
- **Improvements in credit availability slowed, and domestic lending growth moderated as expectations for further loan expansion weakened, potentially constraining investment liquidity and transaction activity in coming quarters.**

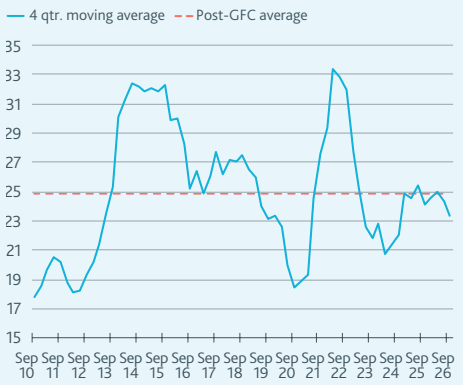
UK All Property transactions

Investment volumes[1] in Q2 2026 were reduced slightly compared to Q1 but were 12% below the level recorded in Q2 2025 and were -11% below the long run second quarter average. Offices made up 51% of investment volumes in Q2; retail represented a further 40% and industrials made up the remaining 9%. Preliminary estimates suggest that investment volumes in Q3 decreased by a further -20% quarter on quarter and were -29% below the long run average for the third quarter .

Current transaction levels are tracking 8% below the same point in 2025, although these figures could improve if the investment market benefits from the customary strong end to the year. MSCI have noted the increasing attraction of "Alternatives" to investors. Multifamily Build to Rent and Single Family Housing are gaining increasing traction in the institutional market reflecting the appeal of a diversified source of rental income and under-pinned by the long-term demand for housing in the UK. Investment in Data Centres, Senior Housing and Self-Storage is also trending higher. These sectors offer exposure to technological, demographic and structural demand, but bring distinct requirements, including power availability, development expertise and operational capability.

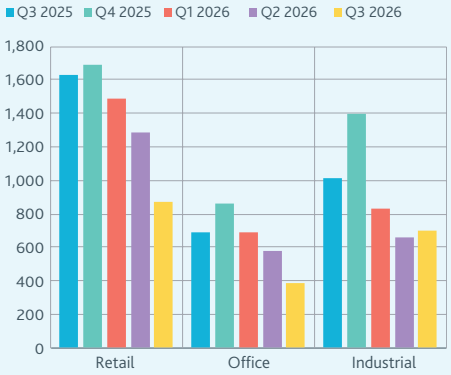
Geographically, London remains the leading destination for capital. In 2024 and 2025 36% of all capital was deployed in London. In the first three quarters of the current year, London has attracted 44% of all UK commercial real estate investment.

All property investment volumes (£bn)



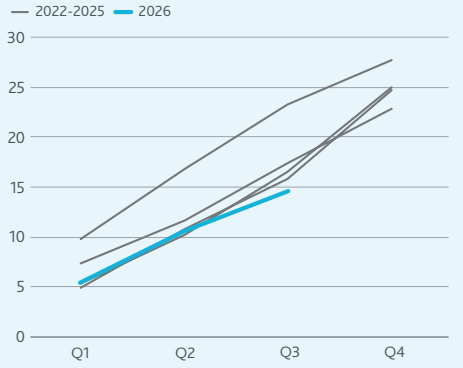
Source: CoStar, MSCI & APR, Oct 2026

UK investment volumes by quarter (£bn)

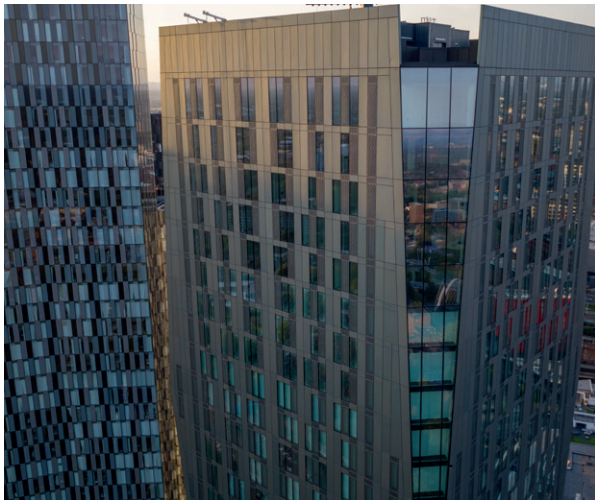


Source: CoStar, MSCI & APR, Oct 2026

Quarterly UK investment volumes 2022-2026 (£bn)



Source: CoStar, MSCI & APR, Oct 2026



[1] Investment volumes are the current value of investment transactions adjusted for capital growth.

Central London office transactions

Investment volumes in the UK's key Central London office market have been improving since mid-2024 but are 56% below peak levels achieved in 2015. Although the declining weight of foreign direct investment (FDI) into Central London offices has been a contributory factor, FDI in the first three quarters is responsible for 60% of capital deployed whereas in 2025 cross border capital underwrote 50% of transactions.

Central London office Investment volumes in Q2 2026 were 45% higher than Q1 but -22% below the long run second quarter average. Preliminary estimates for Q3 indicate that investment volumes decreased -30% quarter-on-quarter and were -45% below the long run average for the third quarter[2].

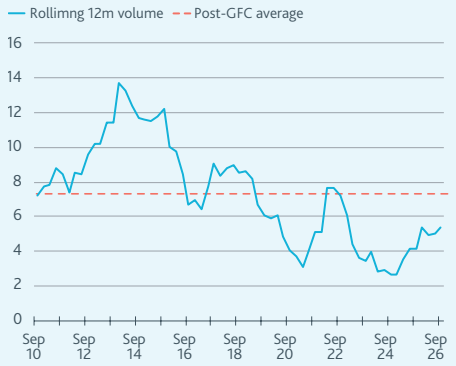
The City made up 11% of Q2 Central London office investment volumes in 11 transactions; Midtown and West End represented a further 25% in 26 transactions and City Fringe, Docklands and Southbank made up the remaining 63% in 20 transactions. Preliminary estimates for Q3 indicate that the Fringe markets were again the favoured destination and the City's share of investment fell to 6%.

Lending to the property sector

New lending to UK commercial real estate rose by 29% year-on-year to £28.7 billion in H1 2026, according to Bayes Business School. Much of the recent activity has been driven by the demand for refinancing rather than new transactional activity. During the year £33 billion of loans are scheduled to mature and borrowers expect interest rates to rise towards the end of the year. Lenders, including Banks, Debt Funds and Insurers, are increasingly keen to lend to the Logistics and Living sectors at the expense of prime offices.

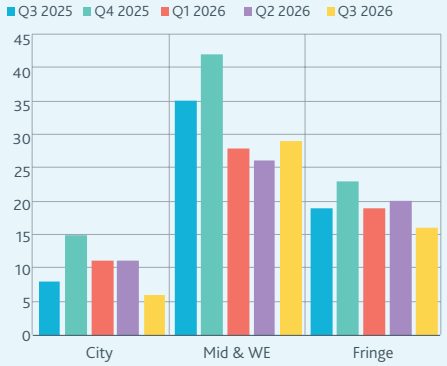
The Bank of England's October Credit Conditions Survey indicates that credit availability continued to improve in Q3, albeit more slowly than a year earlier, with little further improvement anticipated in Q4. Outstanding lending by UK banks and financial institutions to real estate businesses increased by 10.3% year-on-year to approximately £153 billion in August, although the pace of growth has moderated since March.

Central London office investment volumes (£bn)



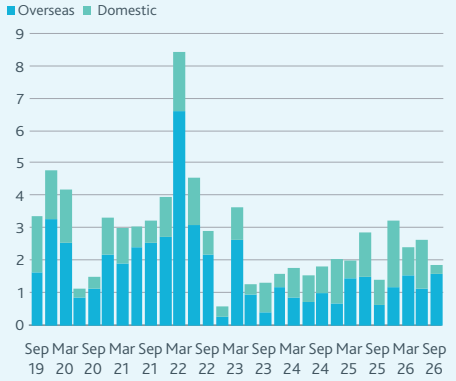
Source: CoStar, MSCI & APR, Oct 2026

No. of Central London office transactions by qtr.



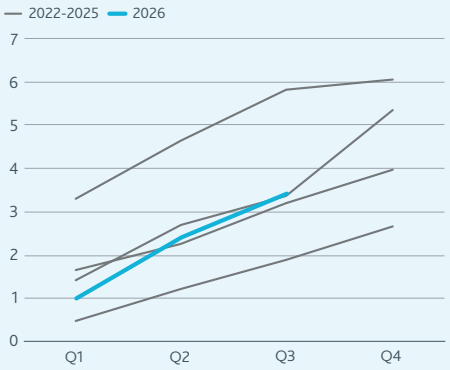
Source: CoStar, MSCI & APR, Oct 2026

Overseas investment in Central London offices (£bn)



Source: CoStar, MSCI & APR, Oct 2026

Quarterly CLO investment volumes 2022-26 (£bn)



Source: CoStar, MSCI & APR, Oct 2026

[2] The latest numbers for Q3 are likely to be revised in the coming months.

7. Office focus

UK office attendance has been increasing throughout the year and in September reached the highest level recorded since Covid-19 lockdown restrictions were lifted in May 2021. However, weekday zone 1 footfall is still below 2019 levels, with Tuesdays, Wednesdays and Thursdays remaining the most popular days.

Office attendance in the West End was well ahead of the All UK average. The City had near national levels but attendance in Midtown lagged. The West End's relatively high office attendance reflects its distinctive combination of employment, retail, leisure, cultural and hospitality activities, which makes commuting more attractive and allows employees to integrate work with their personal and social lives.

Resistance to a five day week remains. Barclays recently made headlines when the bank sought to mandate office attendance for three days a week but thousands pushed back, suggesting help to cover travel costs travel costs and an exemption for those living more than 40 minutes from work.

Across the UK, the underlying macro-economic drivers of office demand have been revised upwards for Q2. The latest data release indicates that office based economic output increased by 1.05 % in the second quarter. The annual rate of growth increased to 2.0% from 0.9% in Q1 2026 consistent with the strengthening overall performance of the UK's economy.

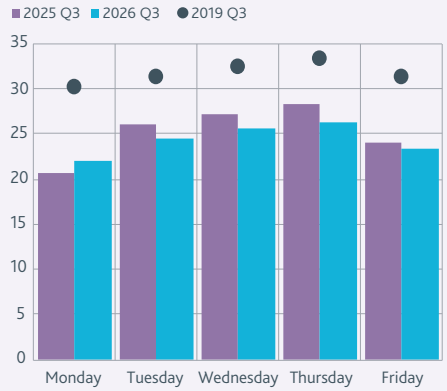
Central London offices

Occupational view

- **Shrinking availability and constrained development are intensifying competition for high-quality Central London offices, supporting stronger rental growth despite a modest recovery in construction starts.**
- **Leasing activity remains constrained by limited suitable supply, rather than weaker demand, with major pre-lets and rising Grade A take-up demonstrating continued occupier appetite.**

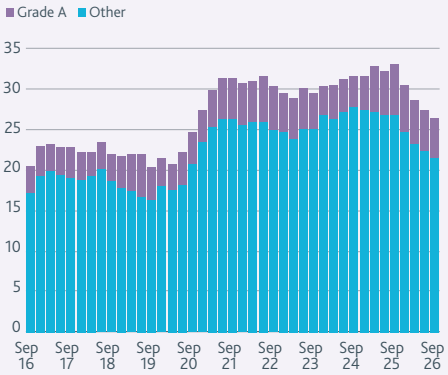
Conditions continue to improve for the Central London office occupational market. Central London office **availability** decreased for the fifth quarter out of the last six and the fourth consecutively in Q3 by -4.4% to 26.2 million sf which represents 19 months' supply at the post-Covid average rate of take-up. The occupational market for "Grade A" space remains tighter. Availability for the best office space decreased by -10.5% in Q3 to 4.6 million sf representing 17 months' supply.

Transport for London Zone 1 station footfall (millions)



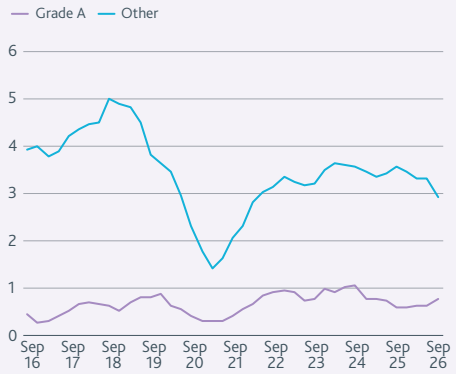
Source: TfL, October 2026

Central London office availability (msf)



Source: CoStar, October 2026

Central London Grade A office take-up (msf)



Source: CoStar, October 2026

Grade A vacancy rates



Source: CoStar, October 2026

[1] Remit Consulting, October 2026
[2] The sum of economic output (GVA) produced by office based industry sectors which has grown at an annualised rate of 2.3% a year since the GFC.

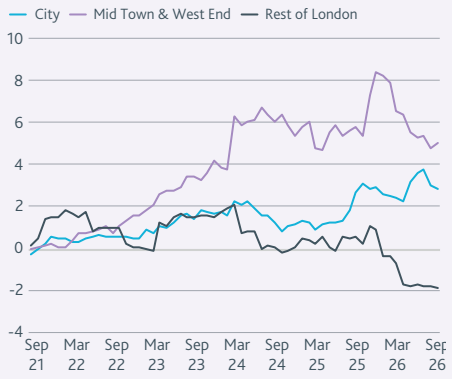
As occupational demand continues to focus on "high-quality, well-located buildings that offer strong amenities" the **development pipeline** is shrinking. Office developers have been under pressure from the rising costs of construction materials.

The long lead in times associated with property development make it extremely difficult for the market to respond efficiently to supply and demand signals. Across the Central London office market, an average 850,000 sf of new space has been delivered every quarter over the last 10 years. Although no development completions were recorded in Q2, completions in Q3 jumped to 1.65 million sf. Construction starts have been decreasing since mid- 2024. However, in Q3 new starts increased to 1.2 million sf compared to average starts of 776,000 sf over the last 10 years.

Average Central London MRV growth amounted to 4.2% in the last 12-months. However, the tone reflected by the UK's largest REITS active in the market is more ebullient. Derwent London reported 3.2% ERV growth in the first half of the year. Its pre-letting of Network W1 on Tottenham Court Road to Databricks achieved rents 5% above Derwent's December 2025 ERV. The 140,000 sf building includes a landscaped roof gardens, terraces, cycle facilities and ground-floor retail. The transaction involved a 15-year lease, with a tenant break after ten years, generating £14.1 million in annual headline rent.

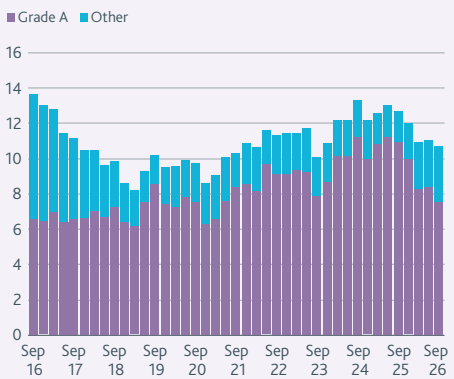
Great Portland Estates reported office lettings 4.2% above ERV and announced in July that

Central London offices MRV 12m (%)



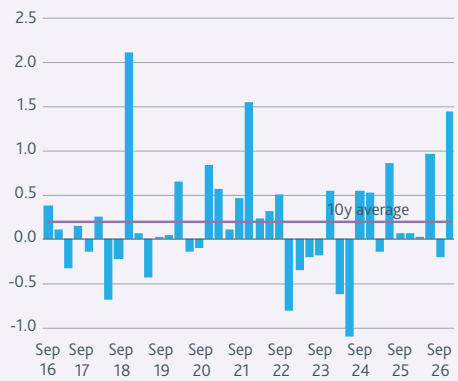
Source: MSCI, October 2026

Under construction (m sf)



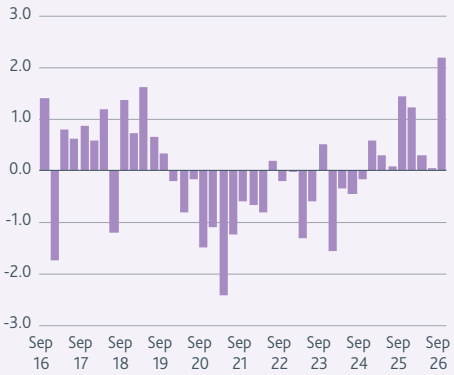
Source: CoStar, October 2026

Net completions (msf)



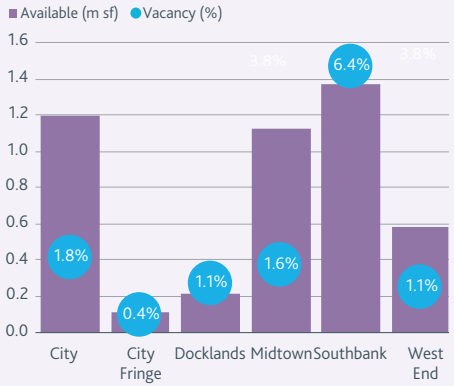
Source: CoStar, October 2026

Net absorption (msf)



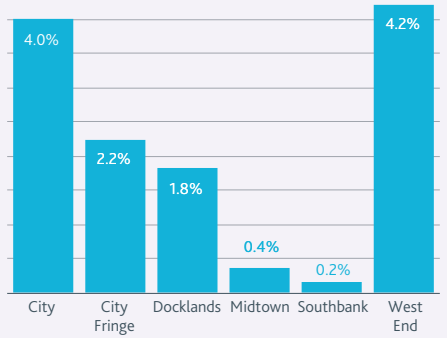
Source: CoStar, October 2026

Grade A availability



Source: CoStar,October 2026

12m MRV growth (%)

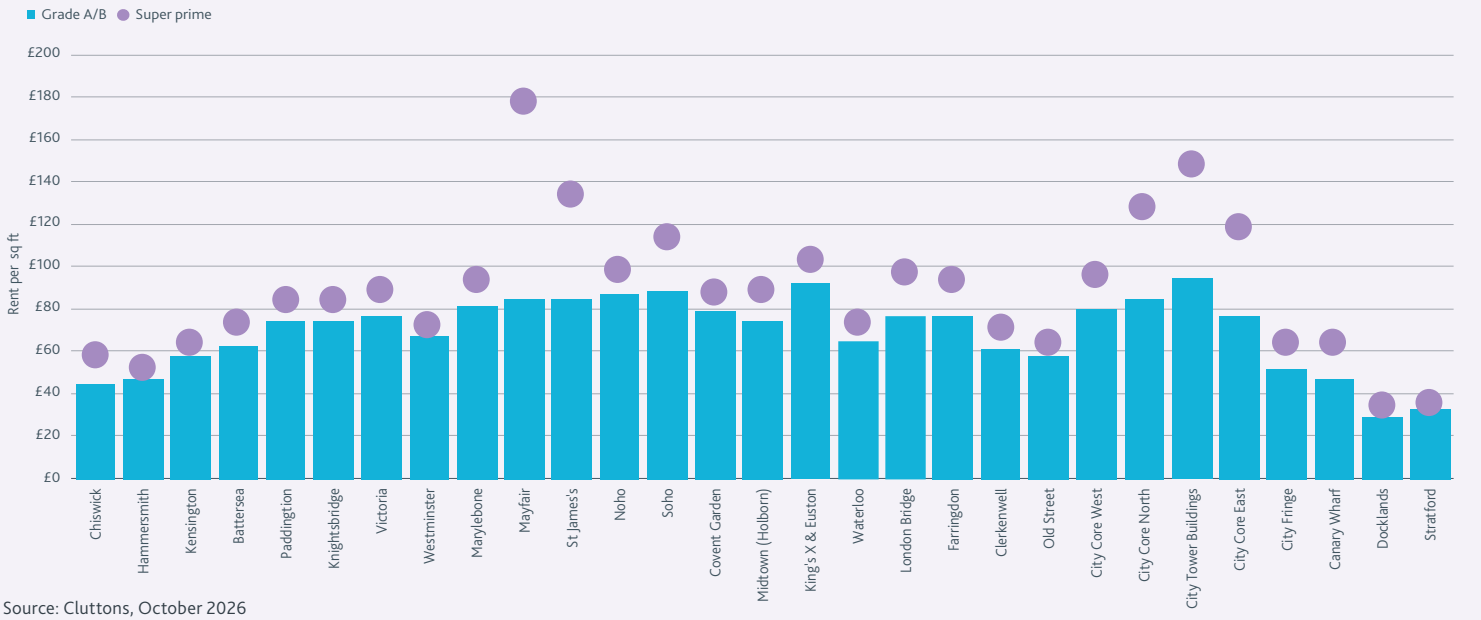


Source: CoStar, October 2026

following a refurbishment of communal facilities, including meeting rooms, lounges and outdoor spaces, it had completed four new office lettings totalling 9,300 sf at 16 Dufour's Place, Soho, generating £2.38 million in annual rent at an average achieved rent of £256 psf. The building offers fully managed, fitted and furnished offices with flexible lease arrangements.

The shrinking supply of new space creates a reduction in leasing activity and increased competition for the right space and strengthening rents. Following a letting of 24,000 sf on the 6th, 8th and 9th floors to FGS Global, a strategic advisory and communications consultancy headquartered in New York, Helical is now seeking rents of £140 psf on the remaining 95,000 sf refurbished 1930's Art Deco Brettenham House located on the approaches to Waterloo Bridge.

Central London Grade A & Super-prime rents (£psf)



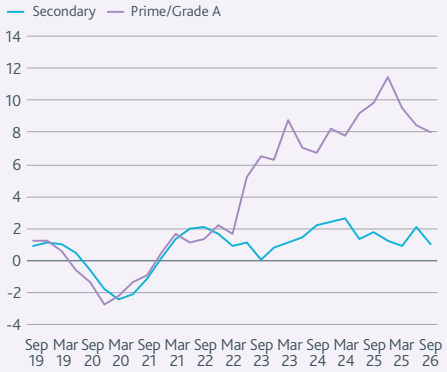
Source: Cluttons, October 2026

Q3 development pipeline space available v pre-let



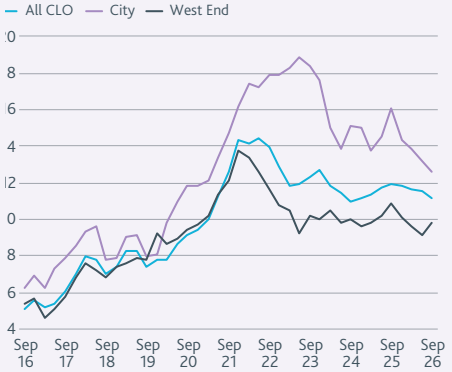
Source: CoStar, October 2026

Prime v Secondary 12m MRV growth



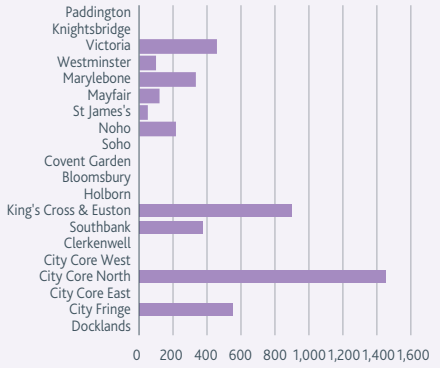
Source: MSCI, October 2026

Months on market



Source: MSCI, October 2026

Central London development completions y-o-y ('000 sf)



Source: CoStar, October 2026

Investment view

- **Central London office investment performance continues to weaken, despite improving occupational fundamentals, with higher financing costs depressing capital values and widening the performance gap between prime and secondary assets.**
- **Investment activity has been subdued but concentrated in Docklands and the West End in Q3. Overseas investor interest is recovering, supported by opportunities to acquire prime assets and undertake redevelopment.**

As the Central London office occupational market has improved the investment market has deteriorated, faced by geopolitical uncertainty, higher risk-free rates and an increased cost of debt.

Capital growth y-on-y decreased to 0.25% in Q3 from 0.98% in Q2. The West End continues to be the only part of the capital's office market benefitting from improving capital values. City office valuations fell for a fifth consecutive quarter and are down by -2.9% in the last 12 months.

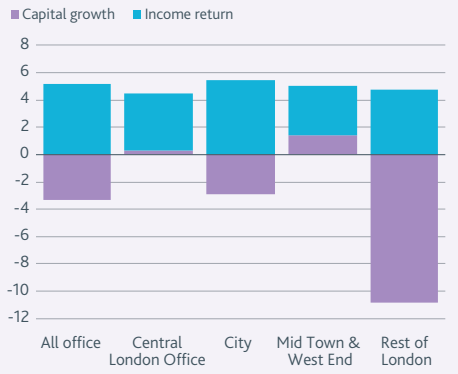
Compared to older, poorer located secondary stock, **Prime / Grade A** offices are enjoying stronger levels of performance. MSCI's analysis by yield quartile range, reveals that prime Central London office capital values have risen by 4.6% in the 12 months to September whilst more secondary assets have suffered from declines in capital values of -8.9%.

There were 57 Central London office investment transactions in Q2, compared to 58 transactions recorded in Q1. However, the value of Q2's transactions increased by 62.3% from £1.32 billion in Q1 to £2.14 billion. Preliminary estimates suggest that the value of transactions in Q3 fell back to £1.46 billion in 51 transactions but these numbers may well be subsequently revised upwards.

Docklands and the West End accounted for 90% of investment transactions by value in Q3. Barclays' acquisition of its Canary Wharf headquarters, One Churchill Place at the end of Q2 for £750 million was Europe's largest office deal for almost four years. In Q3 Brookfield Corporation and the Qatar Investment Authority (QIA) acquired One Bank Street, E14, from Canary Wharf Group Investment Holdings for £625 million. Canary Wharf Group is jointly owned by Brookfield and QIA but insist that the transfer was made on arm's-length terms and at market value.

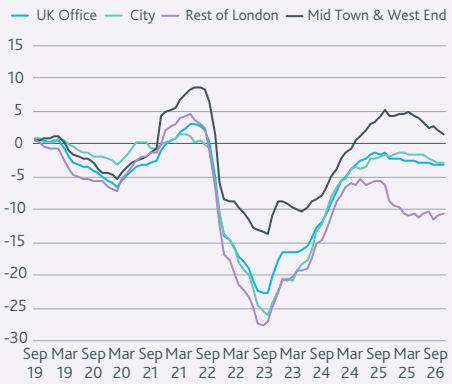
Overseas investors are gradually increasing their exposure to Central London offices driven by increasing geopolitical instability elsewhere. The West End's largest transaction

12m total returns Q2 2026 (%)



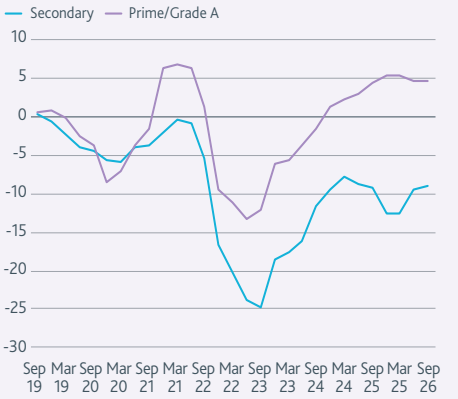
Source: MSCI, October 2026

12m capital growth (%)



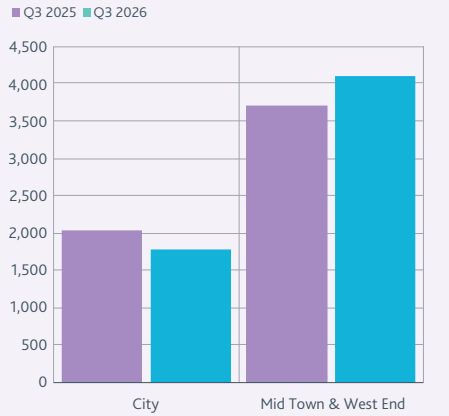
Source: MSCI, October 2026

Prime v Secondary 12m Capital Value growth



Source: MSCI, October 2026

Central London office investment volumes (£m)

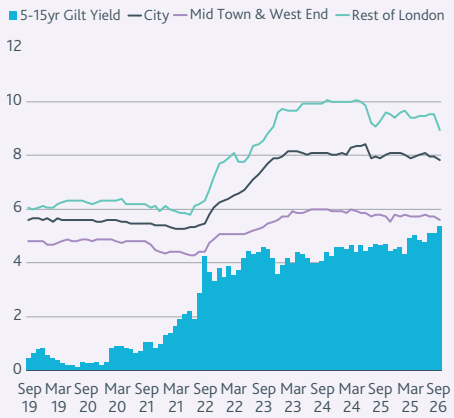


Source: CoStar, October 2026

in Q3 was the sale of 1 St James's Square, SW1 by Hong Kong based retailer, Lifestyle International Holdings, to KKCG Real Estate, a family backed investment group domiciled in Lucerne with interests in Lottery and Gaming, Energy & Chemicals, Technology and Real Estate. The building has nine floors, comprising 104,000 sf and a frontage to St James's Square. The property is fully let to BP, which has occupied the property as its London headquarters since 2001 but will vacate the premises in April 2028. A planning consent exists for a retrofit-led redevelopment that retains the existing frame, replaces the façade, and adds two storeys and a roof terrace. Once complete, the scheme will deliver 121,000 sf of net internal area, an uplift of approximately 17 per cent, including 6,700 sq. ft. of terraces arranged across three floors.



Equivalent yields (%)



Source: MSCI & Bank of England, October 2026

Featured investment transactions

Building	Price (£m)	Price (£psf)	Yield (%)	Avg. uxp lease term (yrs)	Buyer
1 St James's Square, SW1	291.00	2,825	4.79 (NIY)		KKCG & YardNine
16 Berkeley St. W1	81.50	2,036	2.89 (NIY)	10.0 yrs	Arax Properties
10 Stratton St. W1	90.75	2,183	4.17(NIY)	2.3 yrs	Oval Real Estate

Source: Cluttons, October 2026

Central London offices
Summary tables

Availability (msf)

	Q2 2026	Q3 2026	5y avg.	Trending
City	6.62	6.02	8.80	
City Fringe	3.23	3.12	4.28	
Docklands	1.96	1.70	2.76	
Midtown	7.09	6.92	7.25	
Southbank	3.48	3.40	2.60	
West End	5.06	5.06	4.68	

Source: CoStar, October 2026

Take-up (msf)

	Q2 2026	Q3 2026	5y avg.	Trending
City	0.93	0.82	1.40	
City Fringe	0.39	0.71	0.48	
Docklands	0.29	0.15	0.22	
Midtown	1.09	0.80	0.99	
Southbank	0.20	0.19	0.28	
West End	0.76	0.49	0.77	

Source: CoStar, October 2026

Vacancy rates

	Q2 2026	Q3 2026	5y avg.	Trending
City	9.8%	8.9%	13%	
City Fringe	11.0%	10.7%	15%	
Docklands	10.4%	9.0%	15%	
Midtown	10.2%	9.8%	11%	
Southbank	16.2%	15.8%	12%	
West End	9.2%	9.1%	8%	

Source: CoStar, October 2026

Completions ('000 sf)

	Q2 2026	Q3 2026	5y avg.	Trending
City	-	176	226	
City Fringe	-	-	126	
Docklands	-	-	31	
Midtown	-	900	225	
Southbank	-	-	65	
West End	-	571	119	

Source: CoStar, October 2026

Construction ('000 sf)

	Q2 2026	Q3 2026	5y avg.	Trending
City	3,079	3,893	3,939	
City Fringe	89	89	1,092	
Docklands	1,023	1,023	525	
Midtown	3,175	2,275	3,289	
Southbank	1,284	1,536	1,071	
West End	2,472	1,901	1,773	

Source: CoStar, October 2026

12m MRV growth

	Q2 2026	Q3 2026	5y avg.	Trending
City	3.6%	2.9%	0.0%	
Mid Town & West End	5.2%	5.0%	0.0%	
Rest of London	-1.7%	-1.8%	0.0%	

Source: MSCI, October 2026

Average rents (£psf)

	Q2 2026	Q3 2026	Trending
City	64.10	64.90	
City Fringe	56.30	56.80	
Docklands	46.70	47.50	
Midtown	69.80	69.60	
Southbank	61.10	63.20	
West End	76.10	77.30	

Source: CoStar, October 2026

Investment volumes (£m)

	Q2 2026	Q3 2026	5y avg.	Trending
City	133.60	45.91	589.21	
City Fringe	70.24	1.13	171.51	
Docklands	750.00	625.00	87.89	
Midtown	252.56	92.23	501.67	
Southbank	2.30	3.20	65.60	
West End	934.54	687.90	618.07	

Source: CoStar, October 2026

Prime yields (%)

	Q2 2026	Q3 2026	Trending
City	5.25-5.50	5.25-5.50	
West End	3.75-4.00	4.00	
West End (non-core)	5.25-5.50	5.50-6.00	

Source: Cluttons, October 2026

Rest of UK offices

Occupational view

- **Office markets remain increasingly polarised, with plentiful secondary accommodation contrasting with exceptionally low Grade A vacancy rates, reflecting a prolonged period of subdued development activity.**
- **Constrained Grade A supply is limiting leasing activity and supporting rental growth, particularly across the Big 6 regional centres, where shortages of suitable accommodation are restricting occupier choice.**

Office availability in the South East increased by 2.9% in Q3 2026, the first quarterly rise since mid-2025. In contrast, availability across the Rest of UK office markets, excluding London and the South East, declined for the third consecutive quarter. Nevertheless, both markets continue to have more than three years of available supply at prevailing rates of take-up.

The position is markedly different for Grade A accommodation. Availability in the South East was unchanged during Q3, while the Rest of UK recorded a quarterly increase of 2.7%, although supply remained 9.3% below its level a year earlier. Both markets have less than three years of Grade A supply, with vacancy rates exceptionally low at just 1.3% across the Big 6 regional centres and 0.9% in the principal South Eastern markets.

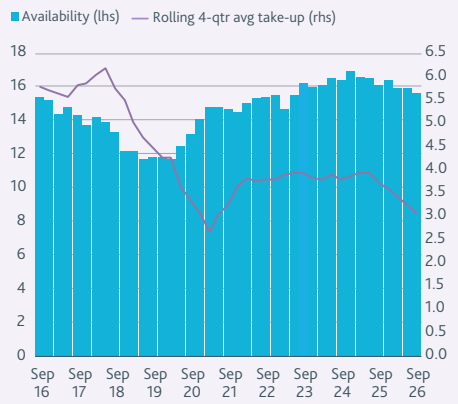
This highlights the increasingly polarised nature of the office market, with relatively plentiful secondary accommodation contrasting with an acute shortage of modern, high-quality space.

The shortage reflects a prolonged period of subdued development activity. Over the past decade, annual office completions outside London averaged 5.6 million sf across approximately 180 buildings. However, just 53 developments, providing 2.4 million sf, were completed in the 12 months to September 2026, representing a reduction of more than 55% against the historical average.

At the end of Q3, the Big 6 development pipeline totalled 1.8 million sf across 10 buildings, with Manchester accounting for approximately half. Birmingham and Bristol accounted for a further 830,000 sf. Birmingham's largest scheme, the mixed-use Beorma Tower, is scheduled for completion in March 2027, providing 163,000 sf of Grade A offices, although less than 5% has been pre-let.

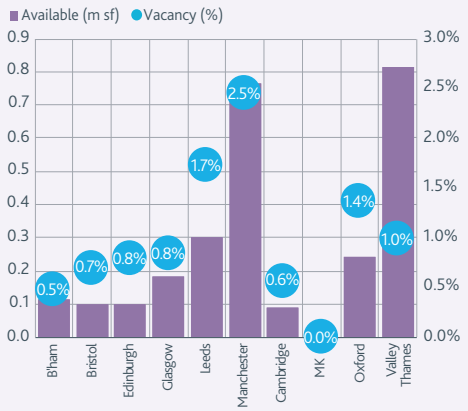
Bristol's city-centre development pipeline remains severely constrained, with no significant speculative new-build schemes underway. Instead, development is focused on the former Filton Airfield, where YTL Developments is constructing two Grade A office buildings totalling 209,300 sf as part of the wider Brabazon regeneration. In the South East, major developments at Cambridge's Cowley Road and Oxford's Innovation Park and adjoining Science Park will provide approximately 540,000 sf in their first phases, although all this accommodation has already been pre-let.

Rest of UK office availability & Take up (msf)



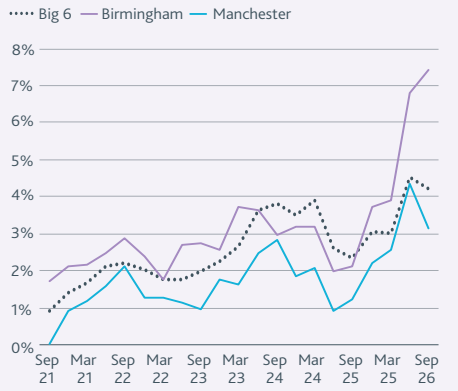
Source: CoStar, October 2026

Grade A availability and vacancy rates



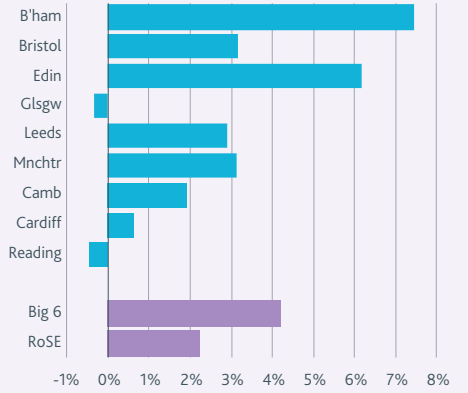
Source: CoStar, October2026

12m market rental growth (%)



Source: MSCI, October 2026

Key Centres – 12m MRV growth (%)

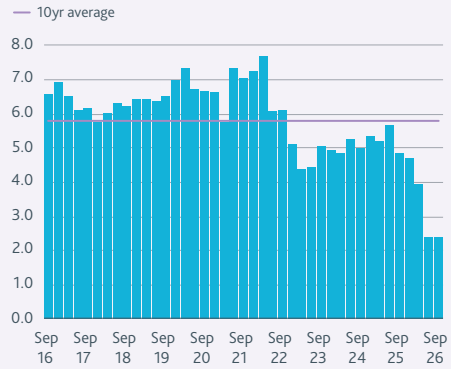


Source: MSCI, October 2026

Grade A take-up across the Big 6 has followed a broadly upward trend over the past decade, despite moderating recently. Prime office take-up totalled 728,000 sf in the year to September, exceeding the ten-year average of 688,000 sf. However, exceptionally low availability is increasingly constraining leasing activity, potentially causing occupiers to defer relocations or renew existing leases. Consequently, declining transaction volumes do not necessarily indicate weaker underlying demand.

The shortage of suitable accommodation continues to support rental growth. Annual market rental value growth across the Big 6 accelerated from 3.0% in March to 4.5% in June. Birmingham led with growth of 6.8%, followed by Bristol (4.5%), Manchester (4.3%) and Leeds (3.8%), while Glasgow recorded a decline of 1.3%. South East rental growth was more subdued, increasing from 1.6% to 2.1% between Q1 and Q2 2025.

UK excl. London development completions (msf)



Source: CoStar, October 2026



Investment view

- **Regional office investment performance continues to weaken despite improving occupational fundamentals, with declining capital values offsetting rental growth and constraining total returns across the Big 6 markets.**
- **Investment volumes remain subdued, reflecting investor caution, while recent transactions reveal substantial differences in pricing, highlighting the importance of building quality, income security and asset-specific risks.**

Despite improving occupational market fundamentals, investment performance across the UK's six largest regional office markets weakened in Q2. Average total returns across the "Big 6" centres declined to 0.4%, from 1.2% in Q1, as capital values fell by 0.9%, compared with a decline of 0.3% in the preceding quarter. Nevertheless, annual total returns improved marginally to 3.5% in the year to June, from 3.3% in the year to March, outperforming the All Office benchmark of 2.3%. This suggests that, although rental growth continues to support income returns, investment performance remains constrained by downward pressure on capital values.

Investment activity has weakened further, reflecting continued investor caution towards regional office assets. Across the major regional markets outside London and the South East, investment volumes fell by 47% in Q2 to £222 million. Preliminary estimates suggest that activity declined by a further 24% in Q3 to just £169 million. Manchester has remained the strongest regional investment market over the past 12 months, accounting for a substantial proportion of transactions. During Q2, six assets in the city centre reportedly changed hands for £108 million, underlining the concentration of investor demand in the more established regional markets.

The South East office investment market has experienced a similar contraction in activity. Transaction volumes declined by 27% in Q2 to £134 million, from £182 million in Q1. Preliminary estimates indicate a further 28% decline in Q3 to just £96 million. The weakness in investment activity across both markets suggests that improving occupational fundamentals have yet to translate into a sustained recovery in investor confidence, with elevated financing costs, uncertainty over future capital values and the potential expenditure required to maintain building quality continuing to influence investment decisions.

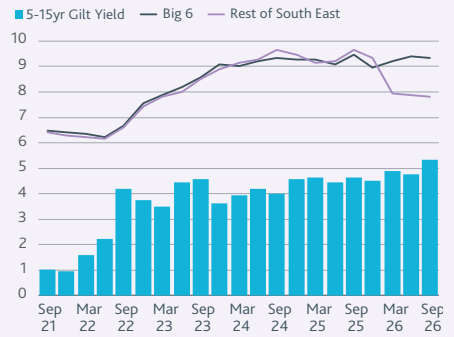
Recent transactions provide further evidence of the repricing of regional office investments, although pricing varies considerably according to building quality, location, income security and asset-specific risks.

In Birmingham, M&G Real Estate sold the long leasehold interest in Two Snowhill, Queensway, to a joint venture between Forma Real Estate and Patron Capital for a reported £62 million, reflecting a net initial yield of 14.76%. Completed in 2013, the 320,000 sf, 16-storey office building is occupied by tenants including HS2 and international law firm Gowling WLG. The property was originally marketed in May 2024 at an asking price of £102 million, reflecting a net initial yield of 9.0%.

The eventual sale price represented a discount of approximately 39% to the original asking price, illustrating the extent of the pricing adjustment required to secure a transaction.

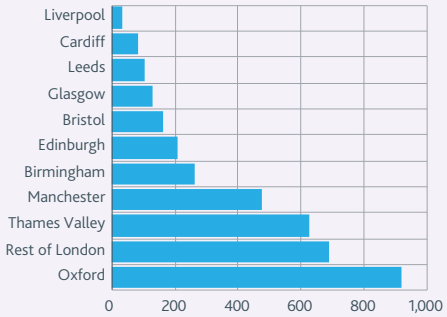
In Manchester, M&G Real Estate sold The Lincoln, Brazennose Street, to London-based Northtree Investment Management for an estimated £55 million, reflecting a net initial yield of 6.8%. Completed in 2021, the seven-storey, Grade A building provides approximately 100,000 sf of office accommodation. The considerably lower yield compared with Two Snowhill highlights the increasingly selective nature of investor demand and the importance of asset-specific characteristics in determining investment pricing.

Equivalent yields (%)



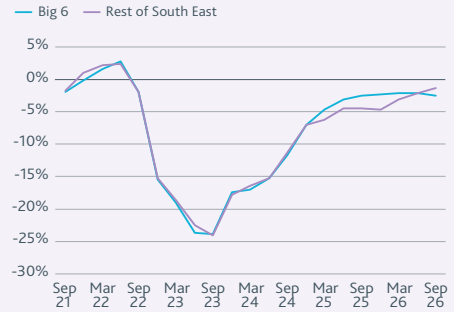
Source: MSCI & Bank of England, October 2026

12m regional office investment volumes (£m)



Source: CoStar, October 2026

Big 6 – 12m MRV growth (%)



Source: MSCI, October 2026

Featured investment transactions

Building	Price (£m)	Yield (%)	Price (psf)	Avg. uxp lease term (yrs)	Buyer
Arlington Business Park, Theale	40.50	15.3 (NIY)	110	4.0	WillsFlower Group
The Lincoln, Manchester	55.00	6.80 (NIY)	545	6.1	Northtree Inv. Management

Source: Cluttons, October 2026

Rest of UK offices

Summary tables

Take-up (msf)

	Q2 2026	Q3 2026	5y avg.	Trending
Big 6	4.21	1.80	2.36	▼
Eastern	1.49	0.36	0.96	▼
Rest of London	2.36	1.22	1.67	▼
Rest of UK	6.08	2.05	3.59	▼
South East	3.80	1.03	2.31	▼

Source: CoStar, October 2026

Vacancy rates

	Q2 2026	Q3 2026	5y avg.	Trending
Big 6	13.3%	13.1%	13.4%	▼
Eastern	7.9%	8.5%	7.0%	▲
Rest of London	11.9%	11.7%	11.5%	▼
Rest of UK	7.7%	7.4%	7.2%	▼
South East	9.2%	9.2%	9.0%	▼

Source: CoStar, October 2026

Average rents (£psf)

	Q2 2026	Q3 2026	Trending
Big 6	26.20	26.20	◀▶
Eastern	21.10	21.30	▲
Rest of London	36.30	36.30	◀▶
Rest of UK	13.90	14.00	▲
South East	23.20	23.50	▲

Source: CoStar, October 2026

Completions ('000 sf)

	Q2 2026	Q3 2026	5y avg.	Trending
Big 6	160	-	691	▼
Eastern	660	357	278	▼
Rest of London	746	1,823	804	▲
Rest of UK	334	14	773	▼
South East	580	144	395	▼

Source: CoStar, October 2026

12m MRV growth

	Q2 2026	Q3 2026	5y avg.	Trending
South East	2.09%	2.23%	1.54%	▲
Birmingham	6.81%	7.44%	3.62%	▲
Bristol	4.55%	3.18%	3.28%	▼
Leeds	3.79%	2.90%	3.15%	▼
Manchester	4.34%	3.14%	2.07%	▼

Source: MSCI, October 2026

Investment volumes (£m)

	Q2 2026	Q3 2026	5y avg.	Trending
Rest of London	95.26	222.76	210.01	▲
Thames Valley	39.54	238.07	203.56	▲
Birmingham	73.32	139.91	62.34	▲
Bristol	46.68	0.99	58.35	▼
Edinburgh	32.43	12.16	59.01	▼
Glasgow	16.07	24.84	48.77	▲
Leeds	18.85	14.92	55.20	▼
Manchester	114.13	26.34	125.89	▼

Source: CoStar, October 2026

Availability (msf)

	Q2 2026	Q3 2026	5y avg.	Trending
Big 6	62.53	30.77	31.31	▼
Eastern	32.79	17.86	14.54	▼
Rest of London	67.94	33.37	32.50	▼
Rest of UK	129.69	62.19	60.62	▼
South East	69.88	34.72	34.38	▼

Source: CoStar, October 2026

Construction ('000 sf)

	Q2 2026	Q3 2026	5y avg.	Trending
Big 6	3,640	1,899	4,264	▼
Eastern	5,069	2,414	1,906	▼
Rest of London	7,716	2,500	6,931	▼
Rest of UK	2,090	1,424	3,947	▼
South East	5,980	2,641	3,020	▼

Source: CoStar, October 2026

Prime yields (%)

	Q2 2026	Q3 2026	Trending
M25 / Thames Valley	8.00	8.00	◀▶
Prime Regional Centres	6.50-7.00	6.50-7.00	◀▶
Secondary Regional Centres	10.00-20.00	10.00-20.00	◀▶

Source: Cluttons, October 2026

8. Industrial focus

Warehousing Output, a measure of the demand for logistics space, increased by 3.6% in the four quarters to June 2026 compared with the preceding twelve months, accelerating from annual growth of 1.3% a year earlier. However, output declined marginally by 0.1% compared with the rolling annual total recorded in March. The short-term weakness could be partly attributable to the disruption to international supply chains from the Middle East conflict. However, the stronger annual performance reflects a relatively resilient underlying demand for warehousing and demand for warehousing and distribution facilities.

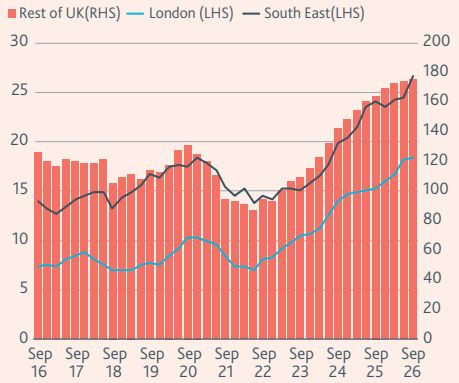
Online retail is providing less structural impetus to demand for logistics space as internet penetration has entered a mature, slower-growth phase. In Q3, internet penetration declined by 70 basis points to 28.8%. This suggests that the shift from physical to online retailing is no longer generating the same additional demand for fulfilment and distribution facilities. Future occupational demand will increasingly depend on growth in absolute sales volumes, supply-chain efficiency and the restructuring of distribution networks.

Occupational view

- **Logistics availability continues to rise as take-up weakens, although the pace of supply growth is slowing, with signs of stabilisation in the Logistics Triangle and Manchester.**
- **Industrial rental growth continues to moderate, while declining construction starts and completions suggest a more restrained development pipeline, despite continued investment in selected major logistics schemes.**

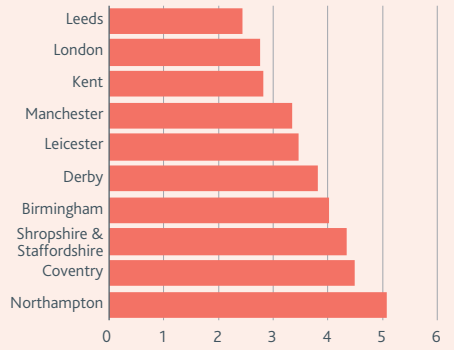
The **availability** of UK distribution warehousing continued to increase across all UK regions in Q3. It has now doubled since June 2022 and represents 32 months' supply at the 10-year average rate of take-up. Supply in the South East and Rest of UK has doubled whilst London availability has risen 165%. However, the rate of increase is slowing in some markets. Availability has stabilised in the key Logistics Triangle and is now falling in Manchester's logistics market.

Availability of logistics space (msf)



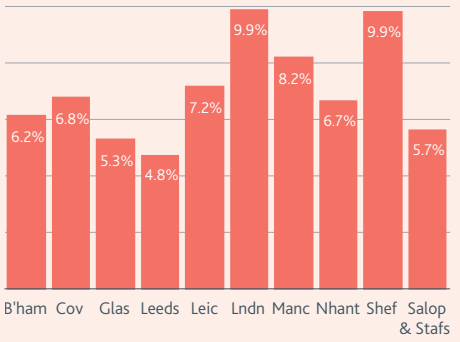
Source: CoStar, October 2026

Logistics take-up by top 10 centres – 12m to September (msf)



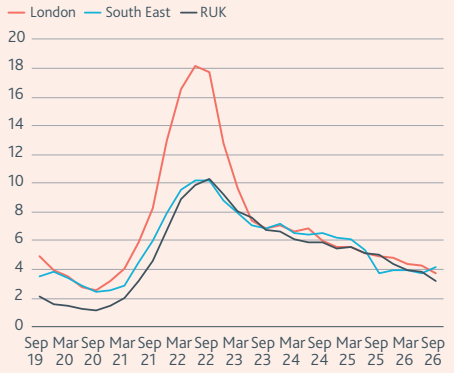
Source: CoStar, October 2026

Logistics vacancy rates



Source: CoStar, October 2026

12m MRV growth rates



Source: MSCI, October 2026

The industrial market is segmented between **Logistics** being 50,000+ sf of warehouse space; smaller **Light Industrial** units for local distribution, 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 (65%) whilst 27% is Specialised and 8% Light Industrial.

The demand or **take-up** of all industrial space fell again in Q3. Lettings of logistics space fell by -29.0% to 15.1 million sf and light industrial take-up fell -9.8% to 970,000 sf. Take-up was below its five-year average in every key market. Third quarter take-up of industrial space halved in London and the South East. Demand in the Logistics Triangle held up better but still fell back -12.2%. Over the 12 months to September, Northampton, Coventry, Birmingham, Derby and Leicester were the most active sub-markets. Elsewhere, outside the Logistics Triangle, the strongest letting activity was in Manchester's Trafford Park, adjoining the Dartford Crossing in Kent and junctions of the M1, M62 and M621 in Leeds.

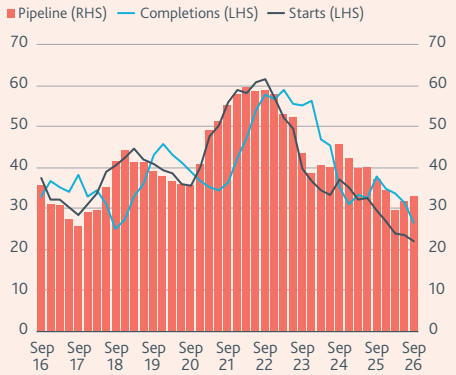
SEGRO Park Coventry is a major industrial and logistics development on a 215-acre site at Coventry Gateway, immediately south of Coventry Airport in the Midlands logistics corridor, close to the A45, A46 and M6 motorway network. The development has planning consent for approximately 3.7 million sf of large-scale distribution warehouses and smaller industrial units. The park is designed to provide modern, energy-efficient accommodation, with sustainability measures including renewable energy generation and high environmental performance standards. In July SEGRO announced three new lease agreements totalling c.540,000 sf of space including pre-lets to Volvo Group UK and DIRKS Consumer Logistics, as well as the letting of a speculatively developed warehouse to GigaCloud Technology. It has now been reported that a further pre-letting of 775,000 sf has been agreed with Halfords.

Year-on-year (y-on-y) **MRV growth** continues to slide from the peaks reached in mid-2022 and is now below the five-year average in every market. In Q3 y-on-y MRV growth in London was 3.7%. Twelve months earlier it was 4.9%. In the South East rental values have increased 4.1% since September last year. MRV growth across the Big 6 cities averaged 3.8% y-on-y in the third quarter supported by 5% in Bristol and Edinburgh and 10% in Glasgow.

Across the UK the amount of space **under construction** is declining. Although the amount of logistics space under construction nationally increased by 2.6% to 32.7 million sf in Q3 it is below the five-year average of 44.7 million sf. Construction starts fell by -27% to 5.6 million sf and the amount of space completed in Q3 decreased by -10% to 4.80 million sf. This is -55% below the five-year quarterly average completion rate of 10.61 million sf.

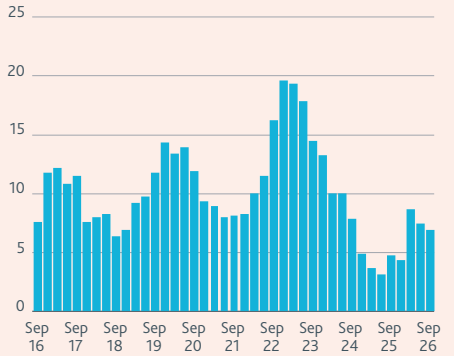
There are 108 Big Box schemes with more than 100,000 sf of space under construction listed which will provide over 30 million sf of logistics space but 18 million sf of this space has been pre-let. However, PLP and Indurent's 645,000 sf M1 XL at Junction 24 of the M1 in the Golden

UK logistics pipeline and completions (msf)



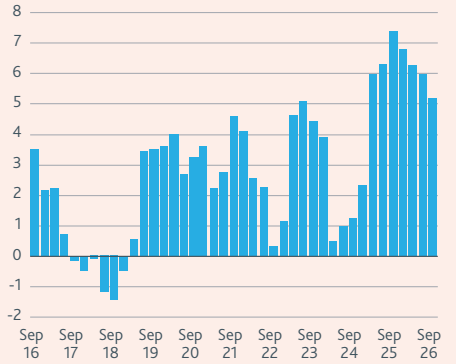
Source: CoStar, October 2026

Logistics Triangle 12m net development completions (msf)



Source: CoStar, October 2026

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



Source: CoStar, October 2026



Triangle remains available to let as practical completion approaches in December. This has not dissuaded SEGRO from commencing speculative construction of SLPN 722, a 723,000 sf cross-dock distribution warehouse at SEGRO Logistics Park Northampton, adjacent to Junction 15 of the M1. The development is scheduled for completion in June 2027 and forms part of the wider 5 million sf logistics park, which benefits from an on-site rail freight terminal and established occupiers including Amazon and Yusen Logistics.

Investment view

- **Rising yields continue to undermine industrial investment performance, with capital values declining in London and the South East, while regional markets demonstrate greater resilience.**
- **Industrial investment activity recovered in Q3, although volumes remain below historical averages, with portfolio transactions and institutional partnerships reflecting investors' preference for scale and diversification.**

Pricing has come under pressure as gilt yields have risen sharply. This is more of a problem for London and the South East than for Rest of UK markets where industrial yields have not re-rated to the same extent. Continued strong MRV growth has not stopped capital values from falling y-on-y in London and the South East but for the Rest of UK and Big 6 regional cities industrial capital growth remains positive.

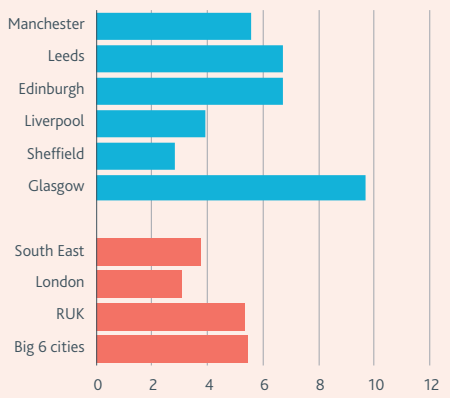
Overall performance continues to be eroded. Year-on-year London industrial total returns decreased to 3.1% from 4.4% in Q2. Across the Big 6 regional cities, y-o-y total returns decreased to 5.4% in September from 6.6% in June and 11.8% a year earlier. In the South East y-o-y returns decreased to 3.7% in Q3 from 4.1 % a quarter earlier and 8.4% in Q2 2025.

All industrial **Investment volumes**[2] decreased in Q2 by -8.2% to £828.8 million in 662 transactions or, £1.689 billion in current value terms, from £902.9 million (£1.848 billion) in 837 transactions in Q1.

Preliminary estimates indicate that investment volumes increased to £1.294 billion (£2.630 billion) in 788 transactions in Q3 compared to the ten-year quarterly average of £1.479 billion (£2.758 billion) and 1,104 transactions.

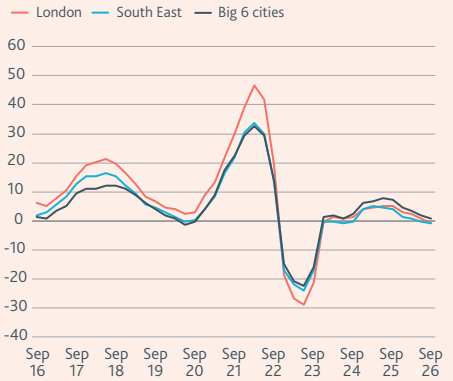
London once again attracted the largest slice of inward investment in Q2 amounting to £226.0 million in current value terms. A further £757.8 million was targeted across the Rest of the UK. **Manchester, Coventry and Northampton** attracted the largest share of investment capital across the regions.

Key centre 12m total returns (%)



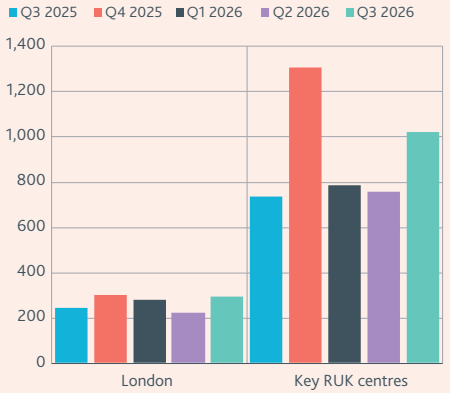
Source: MSCI, October 2026

12m capital growth (%)



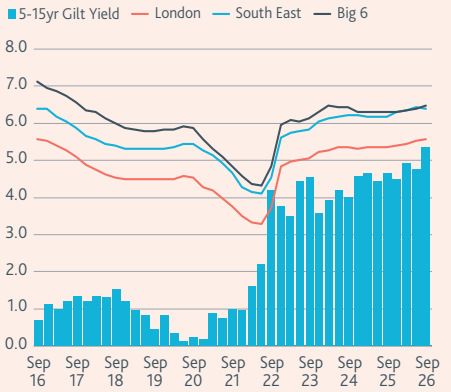
Source: MSCI, October 2026

Industrial investment (£m)



Source: CoStar, October 2026

Equivalent yields (%)



Source: MSCI, October 2026

[2] 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.

Last quarter we noted the strategic preference for **Portfolio transactions** to provide immediate scale and exposure without the specific risk attached to single asset purchases. Portfolio transactions were again prominent in Q3.

EQT Real Estate announced the acquisition of a €532 million pan-European logistics portfolio from Logicor, comprising 14 properties across the UK, Germany and France. The UK component, known as the VAULT Portfolio, comprised eight large logistics assets totalling approximately 2.7 million sq ft, was acquired for £300 million. Stockholm's EQT Real Estate manages non-listed real estate funds with capital raised from pension funds, sovereign wealth funds and other investors. Logicor is majority-owned by China's sovereign wealth fund, China Investment Corporation, with a Blackstone minority interest.

In July SEGRO announced plans to establish a £1 billion UK logistics joint venture with Canadian pension fund PSP Investments. The 50:50 partnership will initially comprise three logistics parks in Coventry, Northampton and Radlett, including 2.4 million sf of fully let accommodation and 380 acres of development land. Further investment of approximately £820 million is envisaged, taking the portfolio's anticipated gross asset value to £3 billion by 2030. The transaction will enable SEGRO to release approximately £500 million of capital while retaining control of development and management.

Featured investment transactions

Building	Price (£m)	Yield (%)	Price (£ psf)	Avg. uxp lease term (yrs)	Buyer
AIR Heathrow, Feltham, TW14	77.00	5.40 (EY)	475		Tritax
Chiltonian Trading Estate, Lewisham, SE12	50.78	5.32 (EY)	472	3.8	Tritax
Bedfont Logistics Park, Heathrow	136.80	5.40 (EY)	432	4.9	Hines
Panattoni Park, Notingham	81.00	5.85 (EY)	113	12.0	Barings

Source: Cluttons, October 2026



Industrial focus
Summary tables

Availability (msf)

	Q2 2026	Q3 2026	5y avg.	Trending
London	20.96	21.36	14.79	
South East	31.02	33.02	22.94	
Logistics Triangle	53.79	53.41	41.53	
Manchester	13.68	13.60	9.27	
Leeds	7.42	7.74	6.34	
Rest of UK	133.18	136.09	101.71	

Source: CoStar, October 2026

Take-up (msf)

	Q2 2026	Q3 2026	5y avg.	Trending
London	1.10	0.55	1.37	
South East	3.18	1.57	3.02	
Logistics Triangle	7.25	6.37	6.47	
Manchester	1.48	0.82	1.05	
Leeds	0.69	0.77	1.02	
Rest of UK	10.91	7.69	12.33	

Source: CoStar, October 2026

Vacancy rates

	Q2 2026	Q3 2026	5y avg.	Trending
London	9.5%	9.7%	6.7%	
South East	7.6%	8.1%	5.8%	
Logistics Triangle	6.8%	6.7%	5.3%	
Manchester	6.4%	6.4%	4.3%	
Leeds	4.0%	4.2%	3.5%	
Rest of UK	6.1%	6.3%	4.8%	

Source: CoStar, October 2026

Completions ('000 sf)

	Q2 2026	Q3 2026	5y avg.	Trending
London	619	128	458	
South East	1,174	898	1,460	
Logistics Triangle	679	2,504	3,287	
Manchester	592	292	366	
Leeds	223	12	439	
Rest of UK	3,698	1,531	6,139	

Source: CoStar, October 2026

Construction ('000 sf)

	Q2 2026	Q3 2026	5y avg.	Trending
London	5,242	5,373	3,845	
South East	4,473	5,231	6,612	
Logistics Triangle	12,019	11,612	14,219	
Manchester	1,314	1,416	1,301	
Leeds	963	1,461	1,720	
Rest of UK	19,585	19,343	27,738	

Source: CoStar, October 2026

12m MRV growth

	Q2 2026	Q3 2026	5y avg.	Trending
London	4.3%	3.7%	7.7%	
South East	3.8%	4.1%	6.3%	
Logistics Triangle	4.7%	4.1%	6.0%	
Manchester	3.4%	2.9%	8.7%	
Leeds	3.5%	1.6%	5.9%	
Rest of UK	3.8%	3.2%	6.2%	

Source: CoStar & MSCI, October 2026

Average rents (£psf)

	Q2 2026	Q3 2026	Trending
London	21.80	22.00	
South East	13.40	13.40	
Logistics Triangle	8.70	8.80	
Manchester	8.70	8.80	
Leeds	7.70	7.80	
Rest of UK	8.50	8.50	

Source: CoStar, October 2026

Investment volumes (£m)

	Q2 2026	Q3 2026	5y avg.	Trending
London	225.96	294.76	476.42	
South East	324.51	208.16	449.09	
Logistics Triangle	405.06	680.14	611.26	
Manchester	122.77	49.26	118.68	
Leeds	53.39	78.13	96.13	
Rest of UK	557.30	1319.31	1167.93	

Source: CoStar, October 2026

Prime yields (%)

	Q1 2026	Q2 2026	Trending
Prime Distribution Sheds –Omrv	5.50	5.50	
Secondary Distribution Sheds	6.25-6.75	6.25-6.75	
Prime Industrial Within M25	5.00	5.25	
Prime Industrial Regional	5.25-5.75	5.25-5.75	
Secondary Industrial Estate	6.50-7.25	6.50-7.25	

Source: Cluttons, October 2026

9. Retail focus

Non-food spending remained weak in October, as consumers expenditure, according to the latest **BRC-KPMG Retail Sales Monitor** prioritised essential purchases and became increasingly selective about discretionary expenditure. Prolonged warm weather supported food, drink and seasonal purchases but delayed demand for autumn clothing and footwear. Uncertainty ahead of November's Budget and the prospect of Black Friday discounts also encouraged consumers to postpone purchases.

All retail sales increased by 1.3% year on year in September, compared to growth of 2.3% in September 2025 and the 12-month average of 1.5%. In-Store Non-Food sales increased by 0.1% year on year in September, against growth of 0.5% y-on-y in September 2025. Online non-food sales increased by 5.1% year on year in June as the summer's heatwave discouraged shoppers from visiting physical stores. But online sales growth decreased to 0.7% y-on-y in September and the 12-month average growth was 1.3%. The online penetration rate increased to 38.3% in September from 37.9% in September 2025.

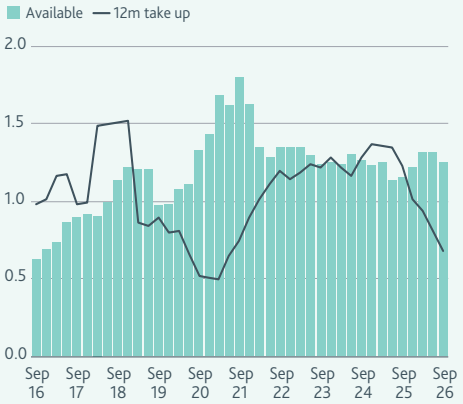
Next's November trading statement reported a modest UK performance as sales grew by 2.0%. Online sales growth of 4.4%, offset a 1.7% decline in store sales. **M&S's November half-year trading statement** reported a strong recovery in sales and profitability following last year's cyberattack. Group sales increased 16.2% to £9.26 billion in the 26 weeks to September. Online sales increased 11.2% compared with two years earlier, while store sales declined 5.2%, partly reflecting the impact of prolonged summer heat.

Occupational view

- **Retail Park availability continues to tighten despite weakening take-up. Limited development and broadening occupier demand are supporting rental values.**
- **Leading high street retailers continue to take the opportunities offered by well-located but redundant department stores to consolidate their operations, but they are facing competition for space from alternative users.**

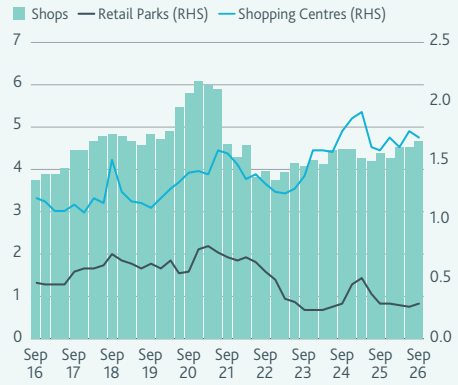
In September annual **take up** of all retail space was -17% lower than a quarter earlier and -51% lower compared to the same quarter last year. Net absorption rates for Shops and Retail Parks continue to be positive but Shopping Centre net absorption rates have been negative[1] since the end of 2019.

Central London shop availability & take-up (msf)



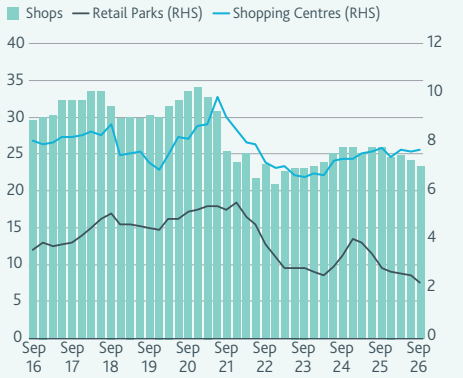
Source: CoStar, October 2026

South East retail availability (msf)



Source: CoStar, October 2026

Rest of UK Retail availability (msf)



Source: CoStar, October 2026

Rolling 12m take-up (msf)



Source: CoStar, October 2026

[1] A negative reading indicates that more space is being released onto the market than is being let.

The amount of all UK retail space **available to let** decreased by -6.2% y-on-y in Q2. Over this 12-month period Retail Park availability has decreased by-19%. The Retail Park development pipeline has been delivering just 156,000 sf per quarter post pandemic, but occupiers have been leasing an average of one million sf each quarter over this same period. Despite strong demand from discount, grocery, homewares and increasingly mainstream high-street retailers, retail park development remains at exceptionally low levels. In Q3 no new space was delivered and the average rate of take-up has fallen to 366,00 per quarter in the last year.

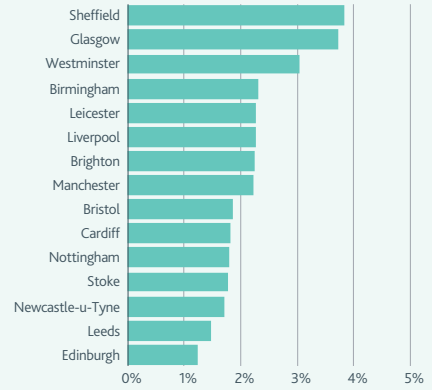
Elevated construction and financing costs, higher investment yields, limited land availability and restrictive planning policies have undermined development viability, while rental growth has generally been insufficient to justify new construction. Consequently, retailer expansion has been accommodated predominantly through the reoccupation of existing units, including premises released following the failures of Homebase and Carpetright. With little new development the shortage of available accommodation has intensified and occupiers are increasingly reluctant to surrender successful stores. This supply constraint should continue to support rental values on established, well-located retail parks, although affordability pressures and retailers' operating costs may limit the pace of further rental growth. Retail Park **rental growth** decreased to 2.6% in the 12-months to September from 2.9% y-on-y in June.

Retail-park demand is broadening well beyond its traditional bulky-goods and value-retail base. Traditional high street retailers such as M&S and Next have been increasingly rotating their estate towards larger, more productive out-of-town units. They must now compete for space with gym operators and padel courts. In March, the Gym Group took a 15-year lease at letting at Churchill Way West Retail Park in Salisbury. This month Padel Hub signed a new lease for a 19,253 sf unit at Eastgate Retail Park in Bristol which contains five courts, a gym, and a bar. Slazenger Padel opened a 35,000 sf facility at Haven Banks Retail Park, Exeter, in August, while Soul Padel agreed terms for seven courts at Peel Retail Park, Washington, on a ten-year lease.

In established town centre locations, major operators are taking the opportunity to consolidate into more efficient modern premises. This year M&S vacated its store in Stall Street, Bath and opened a new flagship Southgate store with 83,000 sf across four floors in the former Debenhams building. M&S also opened a new three floor store in Bristol's Cabot circus located in a former House of Fraser.

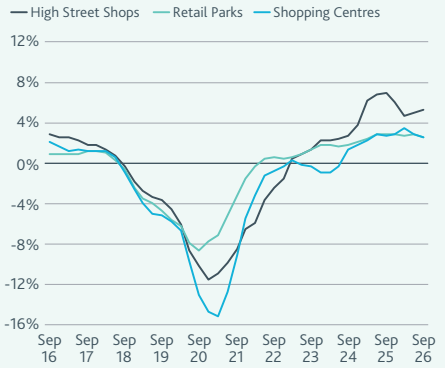
But they also have to compete for space with alternative occupiers to exploit opportunities to reoccupy redundant retail premises. The former Debenhams store in Liverpool ONE, was divided between M&S and Gravity Max. Multiple vacant units in Merseyway Shopping Centre were converted into a 135,000 sf cultural and community hub. Opened in 2025, the facility incorporates a library, performance space, café

Key centre vacancy rates



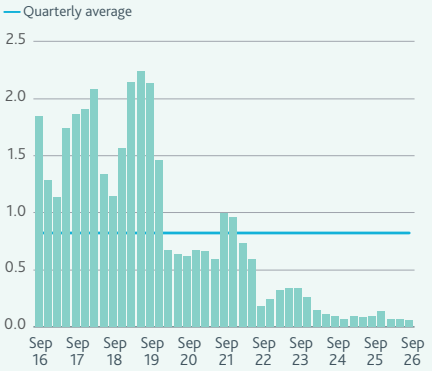
Source: CoStar, October 2026

12m MRV growth



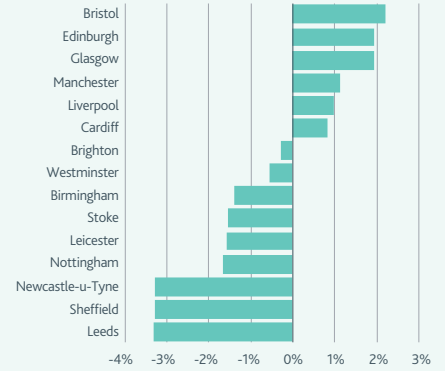
Source: MSCI, October 2026

Retail Park development completions 12m (msf)



Source: CoStar, October 2026

Key Centres MRV growth rate (12m)



Source: CoStar, October 2026

and digital learning facilities. A former Debenhams department store in Gloucester has been converted into a university campus, with teaching facilities, library and community services. The first phase opened in 2025 and further works to the 215,000 sf building are planned.

All Shopping Centre market rental value (MRV) growth decreased to 2.6% in the year to September from 2.9% y-on-y in Q2. SE and RUK shop rental values in Q3 grew at 1.2% and 2.5% y-on-y respectively. In **Central London** MSCI recorded shop MRV growth of 7.3% in Q3 up from 6.9% y-on-y in June.

Investment view

- **Retail investment performance continues to outperform the wider property market, with yield compression and strong income returns supporting capital growth despite rising gilt yields.**
- **Investor appetite for dominant regional shopping centres is strengthening, despite declining overall retail investment volumes.**

As performance at the aggregate All Property level decreased to 4.7% in Q3, the Retail sector is now benefitting from an earlier prolonged period of painful structural decline and re-pricing. The indices suggest that **Shop, Shopping Centre and Retail Park yields** hardened in Q3 even as gilt yields rose sharply. The resulting capital growth combined with strong income returns to support market leading levels of performance.

Shopping Centre total returns increased very slightly to 8.3% y-on-y in Q3 from 8.2% in June. Retail Park total returns also improved by 0.1% to 7.8% y-on-y in September. Central London shop total returns increased to 10.5% in the third quarter from 8.1% three months earlier and helped UK High Street shop performance to increase to 9.1% in Q3 from 7.7% in Q2.

Retail Park **investment volumes**[2] decreased y-on-y in Q2 by -8.6% to £1.425 billion in 242 transactions or, £1.430 billion in current value terms, from £1.559 billion (£1.554 billion) in 254 transactions in Q1. Shopping Centre investment volumes decreased y-on-y in Q2 by -1.0% to £4.285 billion in 125 transactions or, £1.735 billion in current value terms, from £4.327 billion (£1.746 billion) in 114 transactions in Q1. Investment in traditional high street shops continues to decrease q-on-q. Preliminary estimates indicate that All Retail investment volumes decreased by -26.3% to £1.789 billion (£1.273 billion) in 953 transactions in Q3.

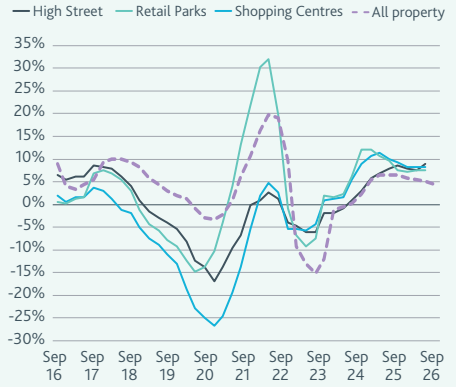
In October, Land Securities completed the £516 million acquisition of Metrocentre, Gateshead, securing a 100% interest in one of the UK's largest regional shopping centres. The

12-month total returns (%)



Source: MSCI, October 2026

Rolling 12m total returns



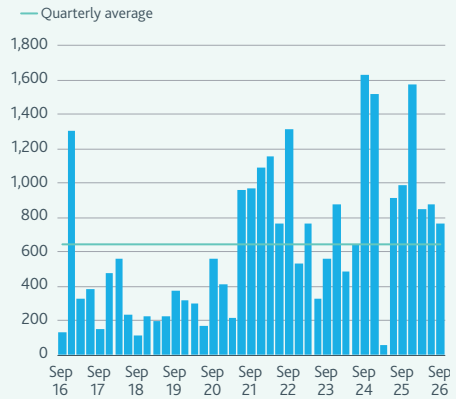
Source: MSCI, October 2026

Retail investment volumes (£m)



Source: MSCI, October 2026

Shopping Centre investment volumes (£m)



Source: CoStar, October 2026

[2] 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..

transaction included the adjacent Metro Retail Park and forms part of the REIT's strategy to invest a further £1 billion in major retail destinations while reducing its exposure to offices. The acquisition reflects an initial net rental income yield of 7.9%, based on annual net rental income of £41 million, which Landsec expects to increase by approximately 40 basis points through asset management. The company anticipates strong rental growth and a low double-digit unlevered internal rate of return.

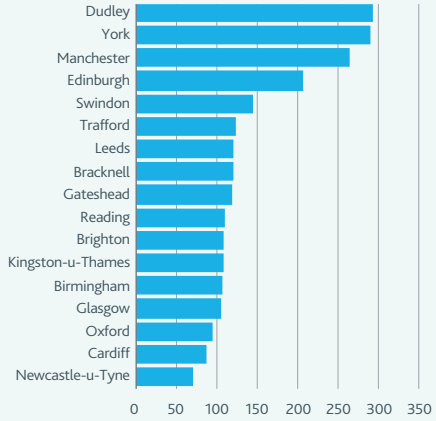
The same month Land Securities also announced the acquisition of a further interest in Bluewater from M&G Real Estate and Royal London Asset Management for £95 million increasing its ownership to 74%. The REIT now owns three of the UK's top 10 and eight of its top 30 shopping centres, including Bluewater and Liverpool ONE.

Hammerson's Q3 £218 million acquisition of a 50% interest in Manchester's Arndale Shopping Centre was its first major external acquisition in over a decade and further confirms the renewed institutional appetite for dominant regional shopping centres offering attractive income yields and opportunities for rental growth. The interest was acquired from creditors of Intu Properties which fell into administration in 2020. M&G Real Estate have retained their existing 50% interest.

The Arndale Centre was originally developed by Town & City Properties, a successor to the Arndale Property Trust, with backing from the Prudential and Manchester Corporation. The first phase opened in 1975 and the completed centre was officially opened in 1979. A comprehensive regeneration programme was accelerated after the damage sustained by an IRA bomb in the mid-90s, and this project replaced the dated retail accommodation, introduced larger flagship units and substantially improved the public realm in the city centre.

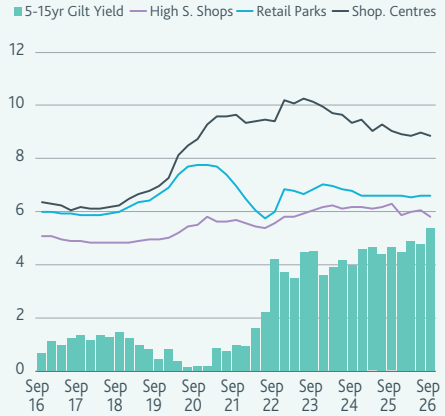


12m Key centre investment (£m)



Source: CoStar, October 2026

Equivalent yields (%)



Source: CoStar, October 2026

Featured investment transactions

Building	Price (£m)	Yield (%)	Price (£psf)	Avg. uxp lease term (yrs)	Buyer
The Metrocentre, Gateshead	516.00	7.90 (NIY)			Land Securities
The Springs, Thorpe Park, Leeds	73.50	7.90 (EY)			SoilBuild Group & New River
Blackheath Retail Park, SE10	21.20	4.50 (NIY)	548		
Nugent Shopping Park, Orpington	84.00	5.40 (NIY)	604	5.7 yrs	Hines

Source: Cluttons, October 2026

Retail focus

Summary tables

Availability (msf)

	Q2 2026	Q3 2026	5y avg.	Trending
London	4.54	4.49	4.86	▼
South East	4.52	4.68	4.25	▲
Rest of UK	23.98	23.36	24.02	▼
Shopping Centres	10.19	10.18	12.12	▼
Retail Parks	2.97	2.69	3.95	▼

Source: CoStar, October 2026

Take-up (msf)

	Q2 2026	Q3 2026	5y avg.	Trending
London	0.509	0.386	0.800	▼
South East	0.387	0.358	0.774	▼
Rest of UK	1.605	1.576	3.087	▼
Shopping Centres	1.018	0.901	1.423	▼
Retail Parks	0.334	0.232	1.059	▼

Source: CoStar, October 2026

Vacancy rates

	Q2 2026	Q3 2026	5y avg.	Trending
London	2%	2%	3%	▼
South East	2%	2%	2%	▲
Rest of UK	3%	2%	3%	▼
Shopping Centres	5%	5%	5%	▼
Retail Parks	2%	2%	2%	▼

Source: CoStar, October 2026

Completions ('000 sf)

	Q2 2026	Q3 2026	5y avg.	Trending
London	37.00	91.47	164.83	▲
South East	37.82	71.03	157.18	▲
Rest of UK	102.59	184.10	721.46	▲
Shopping Cen.	16.35	-	70.18	
Retail Parks	6.75	-	36.91	▼

Source: CoStar, October 2026

Construction ('000 sf)

	Q2 2026	Q3 2026	5y avg.	Trending
London	530	668	740	▲
South East	295	224	679	▼
Rest of UK	2,136	2,077	2,662	▼
Shopping Cen.	-	-	117	
Retail Parks	58	58	101	◀▶

Source: CoStar, October 2026

12m MRV growth

	Q2 2026	Q3 2026	5y avg.	Trending
London	6.9%	7.3%	4.1%	▲
South East	1.4%	1.2%	-0.3%	▼
Rest of UK	1.8%	2.5%	1.3%	▲
Shopping Centres	2.9%	2.6%	1.1%	▼
Retail Parks	2.9%	2.6%	1.8%	▼

Source: MSCI, October 2026

Average rents (£psf)

	Q2 2026	Q3 2026	Trending
London	38.30	38.00	▼
South East	24.50	24.40	▼
Rest of UK	18.10	18.00	▼
Shopping Centres	30.00	29.80	▼
Retail Parks	20.20	20.10	▼

Source: CoStar, October 2026

Investment volumes (£m)

	Q2 2026	Q3 2026	5y avg.	Trending
London	272.28	238.80	489.28	▼
South East	115.24	117.43	302.85	▲
Rest of UK	518.96	334.54	832.12	▼
Shopping Cen.	355.31	312.87	425.02	▼
Retail Parks	539.08	269.97	554.59	▼

Source: CoStar, October 2026

Prime yields (%)

	Q2 2026	Q3 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, October 2026

10. Outlook & house view

- **Consensus forecasts for UK commercial property market performance have weakened across near and medium-term horizons, with widening differences between forecasters reflecting growing economic uncertainty, while expectations increasingly favour higher-yielding retail assets over offices and industrials.**

- **Cluttons has downgraded its outlook for All Property total returns, anticipating further modest capital value declines supported by resilient rental income. Longer-term recovery prospects depend on easing geopolitical tensions, moderating inflation and improving monetary conditions, although a prolonged conflict presents significant downside risk.**

Consensus Forecasts

Forecasters' confidence in the outlook for UK commercial property in 2026 continues to weaken. August's Real Estate:UK (RE:UK) consensus forecasts for total returns in 2026 decreased to 5.0% from 5.4% in May. The consensus outlook for 2027 was also reduced to 7.0% from 7.6% and the five-year outlook has been trimmed by 0.4% from an annualised average of 7.2% to 6.8%.

Total return expectations for 2026 improved for Shops and Retail Parks. City offices and Industrials bore the largest cuts. Forecast performance for Industrials in 2026 has more than halved from 9.0% anticipated a year ago in August 2025 as analysts prefer value style assets offering a higher income return. Expectations for 2026 remain highest for Shopping Centres and Retail Warehouses.

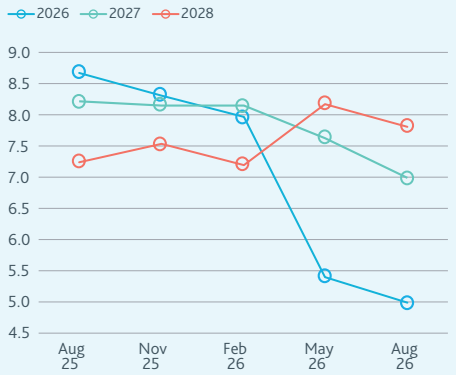
The range of forecasts for 2026 widened again in August, with the maximum prediction an optimistic 8.3% and the minimum decreasing to an equally unlikely -0.6%. The range of views widened to 8.9% in August from 5.8% in May, as the uncertain economic headwinds gather strength. The range of forecasts for 2027 has narrowed to 4.0% varying between 10.3% and 6.3%.

Cluttons' House View

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.

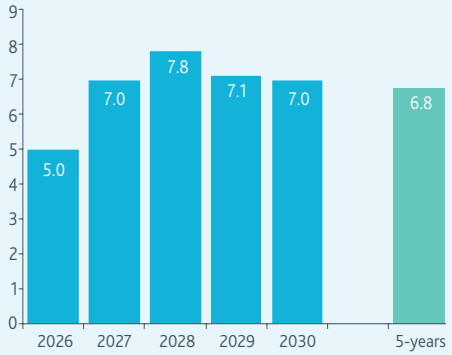
The mid-term US election results have now given hope that the economic and financial repercussions of the US and Israeli attacks on Iran will now ease. During Q3 the conflict had spread across the Arabian Peninsula and threatened both the strategically important Bab al-Mandab Strait and Saudi Arabia's oil infrastructure. In recent days the price of Brent

IPF Consensus forecast evolution (%)



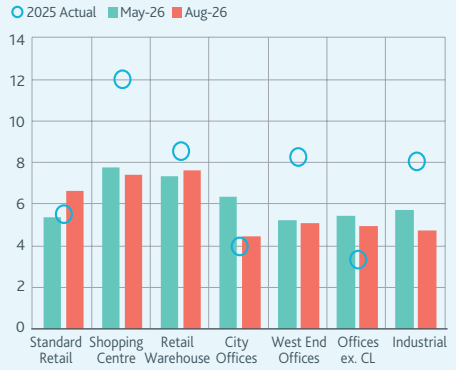
Source: RE:UK, Aug 2026

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



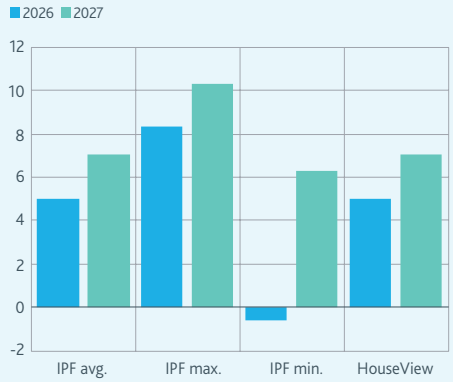
Source: RE:UK, Aug 2026

2026 total return forecasts by sector Aug 26 v May 26 (%)



Source: RE:UK, Aug 2026

UK commercial total return forecast range (%)



Source: IPF, APR & Cluttons, Aug & Oct 2026

crude has fallen by 9% to $95 per barrel, its lowest level since August.

Nevertheless, central banks remain concerned that second-round inflationary effects could become entrenched and appear less willing to look through what was initially regarded as a temporary supply-side shock. In the UK, after November's increase in Bank Rate to 4.00% financial markets are anticipating at least one further 25 basis point increase. Sovereign bond yields have risen across developed economies, with the UK 10-year gilt yield increasing by 58 basis points in Q3 and 83 basis points over the first nine months of the year.

These developments in the year-to-date were beginning to weigh more heavily on commercial property valuations. All Property capital growth has been negative for five consecutive months, while the adverse impact of equivalent yield movements month-on-month doubled to -0.4% in September, taking the cumulative effect to -2.0% in the year-to-date. Further outward yield movement appears likely in Q4 as higher government bond yields, rising borrowing costs and subdued investment activity place additional pressure on pricing. A weakening appetite for commercial property lending among domestic banks, potentially accompanied by tighter lending covenants, represents a further constraint on investment demand.

Nevertheless, a sharp correction in capital values is not our central expectation. Despite the 83 basis point increase in the 10-year gilt yield this year, the MSCI All Property initial yield has softened by only 9 basis points, implying a pass-through of approximately 11%. This contrasts sharply with the aftermath of the September 2022 Mini Budget, when a 124 basis point increase in gilt yields was followed by an 87 basis point outward movement in property yields over the subsequent three months, equivalent to a pass-through of 70%. Applying that past relationship to the current market would imply approximately 58 bps of property yield expansion, substantially more than has occurred.

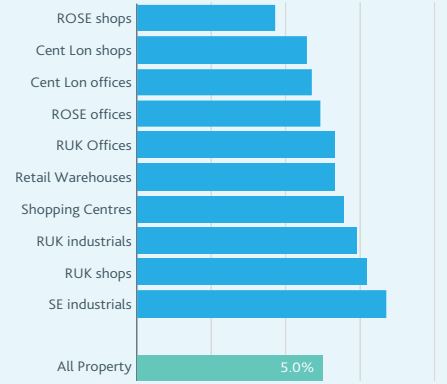
However, the comparison with 2022 is illustrative rather than predictive. The 2022 episode involved exceptional liquidity and financing pressures. The relatively limited repricing in 2026 may reflect greater resilience. Certainly, the recovery after 2023's correction has been lacklustre and it is hard to argue that UK commercial property is currently over-valued. Equally, the limited response so far may just indicate a delayed valuation response. That uncertainty strengthens the case for a cautious near-term forecast without necessarily anticipating a collapse in values.

We are therefore reducing our forecast for 2026 All Property total returns from 5% to a range of 4%–5%. The MSCI index currently indicates an annualised year-to-date return of 5.0%, but the annualised rate over the seven months following the outbreak of the conflict has moderated to 4.7%, suggesting that underlying momentum is weakening. Achieving a full-year return of just 4% would require a decline in All Property capital values of slightly more than 1% in Q4, equivalent to approximately 13 basis points of further yield expansion. While this cannot be ruled out, it would represent a marked acceleration in repricing compared with the first nine months of the year.

Of course, the usual warnings apply regarding threats to financial markets from continued geo-political instability. Before the US mid-terms we had seen little in the last quarter to change our view that the current US administration was unable to negotiate an end to the war that reinstates the status quo ex ante but for now at least there is hope.

The upside view benefits from easing geopolitical tensions, moderating inflation and more supportive monetary conditions ushering in a gradual recovery in investment demand. A recovery in Capital values could lift annualised All Property total returns towards 7% over the next three years. Although the immediate outlook remains challenging, the combination of relatively resilient property income and the absence, so far, of widespread forced selling should help prevent the current deterioration in market conditions from developing into a more severe correction.

Cluttons house view – 2026 relative total returns (%)



Source: APR & Cluttons, Oct 2026



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