

MARKETBEAT INVESTMENT

JANUARY 2026 - IN BRIEF

Better never settles

ROBUST RETURNS

With monthly total returns coming in at 0.6%, this means that on an annual basis the MSCI Monthly Index saw returns come in at 7.1%. This was driven by income returns of 5.7% and capital value growth of 1.3%, albeit the latter saw just 0.1% growth in the final month of the year. Rents have continued to power ahead across all segments of the market.

Retail is a clear winner for the year, posting total returns of 8.8%, with shopping centres at 11.9% and supermarkets at 9%, with central London retail the laggard at a still robust 5%. Offices continued its recovery, with total returns at 3% across the market, albeit the sector is still characterised by bifurcation across segments of the market, with Midtown and West End offices coming in at 8.2%, compared to Rest of South East Offices posting -2%. On a monthly basis, the latter was stable. Elsewhere, Industrial had another strong year, with total returns at 8%, while residential delivered 8.4% on an annual basis.

THE BORROWERS

Net lending increased significantly during November, reaching £2.49 billion. This was the second largest increase in lending since May 2020, falling just short of the increase seen in August 2025. With lending for the last six months at £12.2 billion, this is the highest six-month period since September 2008. This is being driven in part but not solely by refinancing. Net lending to developments increased during November, which is a positive picture for a development market that has been constrained across all sectors.

The Bank of England Credit Conditions Survey showed that banks increased availability of lending for the eighth consecutive quarter, with intentions to raise further in Q1 2026, with price expectations for commercial property currently much more positive than for residential. As of the end of November, the share of banks' total loans to commercial real estate had reached 8.1%, its highest since 2015. Robust performance and a healthy lending environment are both positive signs at the beginning of a year, where we expect to see conditions improve further.

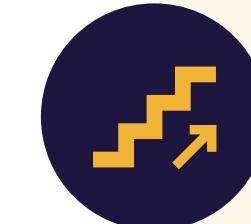


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KEY TAKEAWAYS



December MSCI monthly total returns came in at 0.6%. This was a slight slowdown on the rate of growth seen during the year.



On an annual basis, MSCI monthly Index total returns slowed to 7.1%, with rental value growth increasing by 3.4% during the time period.



Retail was the best performing sector in the monthly Index, coming in at 8.8%, with Industrial, followed by Residential at 8.4% and Industrial at 8%.



During the course of the year, prime yields contracted in 13 of our subsectors, and moved out in four subsectors. There was no movement during December

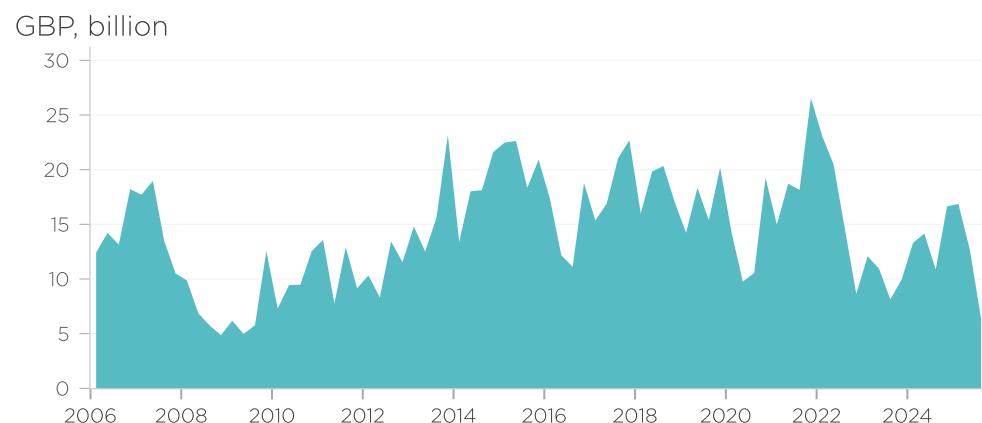


November saw net lending increase significantly, reaching £2.5 billion, the second strongest increase since May 2020. On a six month basis, net lending is at its highest since September 2008.

MARKET STATISTICS

Source: MSCI, Chatham Financial, Bank of England, Macrobond, Cushman & Wakefield

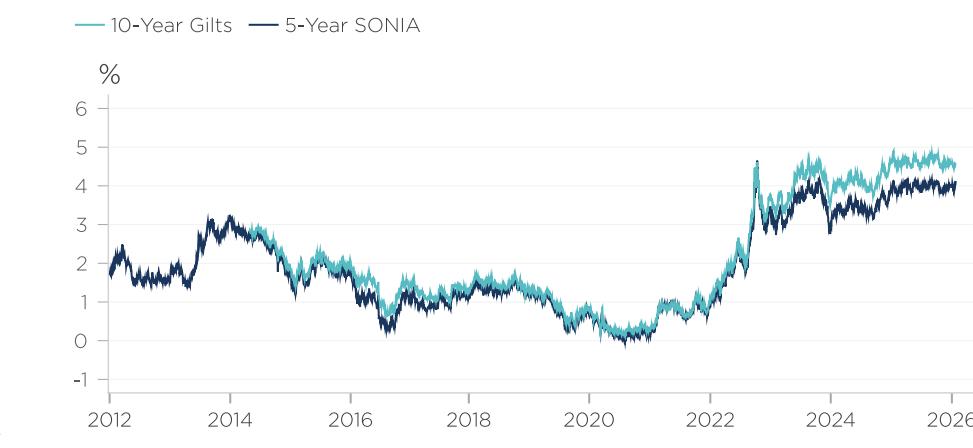
QUARTERLY INVESTMENT VOLUMES (BILLIONS)



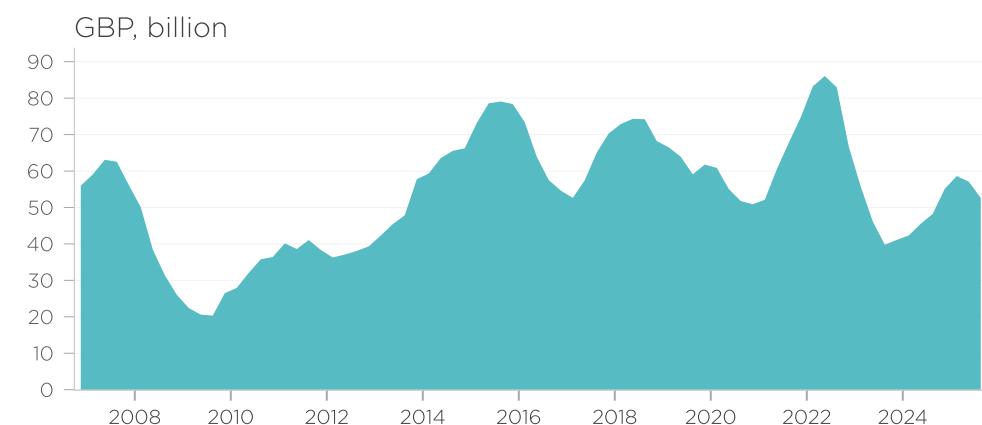
TOTAL RETURNS (%)



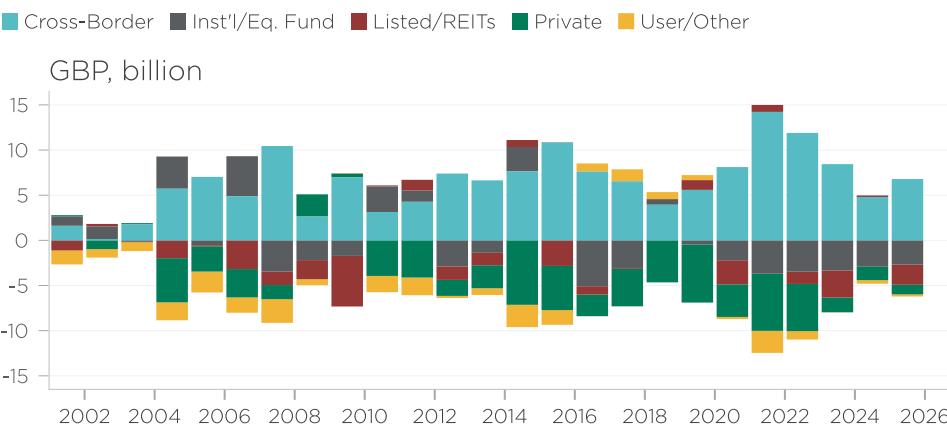
10 YEAR GILTS, 5 YEAR SONIA



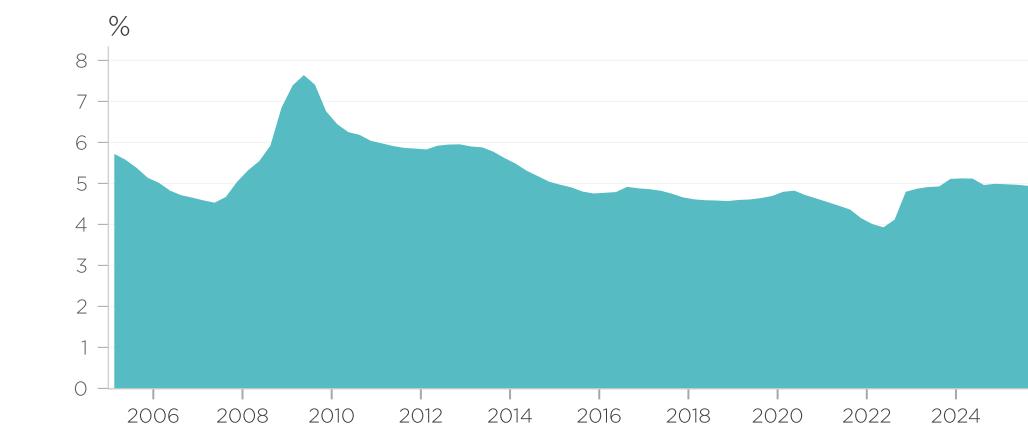
ROLLING ANNUAL INVESTMENT VOLUME (BILLIONS)



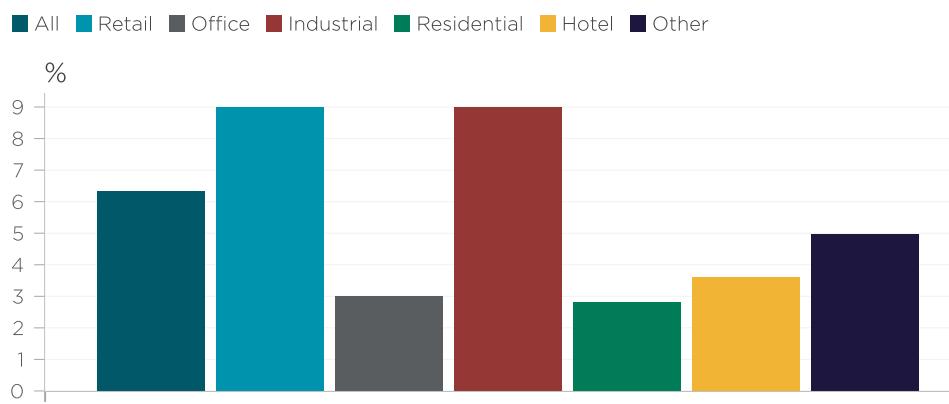
SOURCES OF CAPITAL



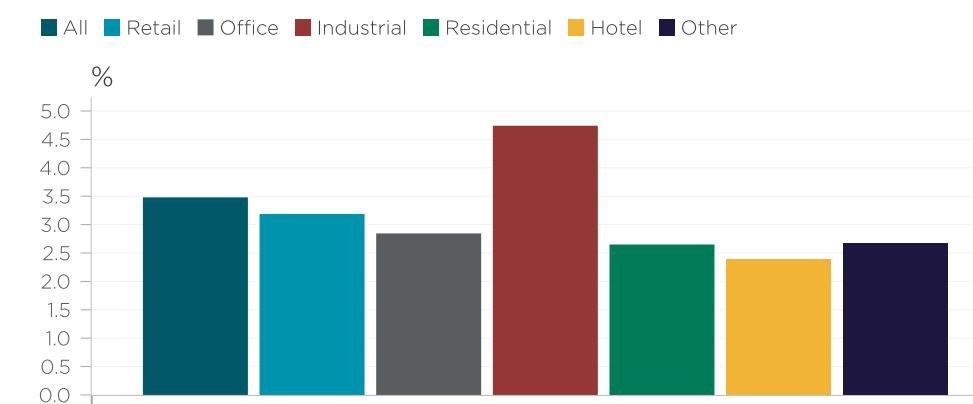
NET INITIAL YIELDS



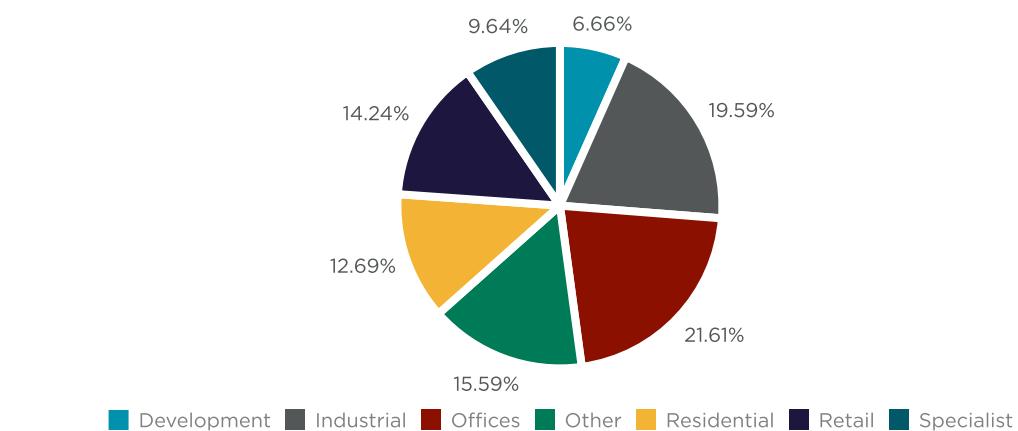
ANNUAL TOTAL RETURN BY SECTOR



ANNUAL AVERAGE RENTAL GROWTH BY SECTOR



ANNUAL INVESTMENT VOLUMES BY SECTOR



YIELD SCHEDULE

Sector	Previous Year	Previous Quarter	Previous month	Present	Annual Change (bps)	Quarterly Change (bps)	Monthly Change (bps)		Sector	Previous Year	Previous Quarter	Previous month	Present	Annual Change (bps)	Quarterly Change (bps)	Monthly Change (bps)									
Sector	January 25	Q3 25	December 25	January 26 (Q4)		Q-to-Q		Outlook	Sector	January 25	Q3 25	December 25	January 26 (Q4)		Q-to-Q		Outlook								
Town Centre Retail																									
Prime Retail Centres	6.75%	6.50%	6.50%	6.50%	-25 bps	0 bps	0 bps	Stable	Greater London	4.50%	4.50%	4.50%	4.50%	0 bps	0 bps	0 bps	Stable								
Secondary Retail Centres	10.00%	10.00%	10.00%	10.00%	0 bps	0 bps	0 bps	Stable	Prime Regional	5.25%	5.00%	5.00%	5.00%	-25 bps	0 bps	0 bps	Stable								
Prime London - West End	3.00%	3.00%	3.00%	3.00%	0 bps	0 bps	0 bps	Stable	Build to Rent																
Shopping Centres																									
Regional	7.75%	7.75%	7.75%	7.75%	0 bps	0 bps	0 bps	Inwards	Prime London - West End	4.00%	4.25%	4.25%	4.25%	25 bps	0 bps	0 bps	Stable								
Sub-Regional	11.00%	11.00%	11.00%	11.00%	0 bps	0 bps	0 bps	Inwards	Greater London	4.50%	4.50%	4.50%	4.50%	0 bps	0 bps	0 bps	Stable								
Local	12.00%	12.00%	12.00%	12.00%	0 bps	0 bps	0 bps	Inwards	Prime Regional	4.75%	4.75%	4.75%	4.75%	0 bps	0 bps	0 bps	Stable								
Retail Warehouses (Greater London and SE in brackets)																									
Prime Open A1 Retail Park	5.25%	5.25%	5.25%	5.00%	-25 bps	-25 bps	-25 bps	Stable	Prime London Fixed Income	4.50%	4.25%	4.25%	4.25%	-25 bps	0 bps	0 bps	Stable								
Prime Bulky Park	5.75%	5.75%	5.75%	5.75%	0 bps	0 bps	0 bps	Stable	Prime Regional Fixed Income	5.25%	5.00%	5.00%	5.00%	-25 bps	0 bps	0 bps	Stable								
Prime Supermarkets (RPI linked)	4.85%	4.65%	4.65%	4.65%	-20 bps	0 bps	0 bps	Stable	Prime London Trading	5.00%	5.00%	5.00%	5.00%	0 bps	0 bps	0 bps	Stable								
Prime Solus (Bulky)	6.00%	5.75%	5.75%	5.75%	-25 bps	0 bps	0 bps	Stable	Prime Regional Trading	8.00%	8.00%	8.00%	8.00%	0 bps	0 bps	0 bps	Stable								
Prime Leisure Parks	8.25%	8.50%	8.50%	8.50%	25 bps	0 bps	0 bps	Outwards	Life Sciences																
Multi-Let Industrial									Golden Triangle	5.00%	5.00%	5.00%	5.00%	0 bps	0 bps	0 bps	Stable								
Prime Greater London	4.75%	4.75%	4.75%	4.75%	0 bps	0 bps	0 bps	Stable	Regional Centres	6.25%	6.50%	6.50%	6.50%	25 bps	0 bps	0 bps	Stable								
Prime South East	5.00%	5.00%	5.00%	5.00%	0 bps	0 bps	0 bps	Stable	Care Homes																
Prime Regional	5.25%	5.25%	5.25%	5.25%	0 bps	0 bps	0 bps	Stable	Prime	4.75%	4.75%	4.75%	4.75%	0 bps	0 bps	0 bps	Stable								
Distribution Warehousing																									
Prime Long Income	5.00%	5.00%	5.00%	5.00%	0 bps	0 bps	0 bps	Stable	Prime	4.50%	4.50%	4.50%	4.50%	0 bps	0 bps	0 bps	Stable								
Prime Medium Income	5.50%	5.50%	5.50%	5.50%	0 bps	0 bps	0 bps	Stable	Secondary	5.75%	5.75%	5.75%	5.75%	0 bps	0 bps	0 bps	Stable								
Prime Short Income	5.75%	5.75%	5.75%	5.75%	0 bps	0 bps	0 bps	Stable	Student Accommodation																
In Town Offices																									
Greater London	6.75%	6.75%	6.75%	6.75%	0 bps	0 bps	0 bps	Stable	Prime London	4.00%	4.25%	4.25%	4.25%	25 bps	0 bps	0 bps	Stable								
Prime City Offices	5.75%	5.50%	5.50%	5.50%	-25 bps	0 bps	0 bps	Stable	Greater London	4.75%	4.75%	4.75%	4.75%	0 bps	0 bps	0 bps	Stable								
Prime West End Offices	4.00%	3.75%	3.75%	3.75%	-25 bps	0 bps	0 bps	Stable	Super Prime Regional	5.25%	5.25%	5.25%	5.25%	0 bps	0 bps	0 bps	Stable								
Prime M25	7.25%	7.00%	7.00%	7.00%	-25 bps	0 bps	0 bps	Stable	Prime Regional	5.50%	5.50%	5.50%	5.50%	0 bps	0 bps	0 bps	Stable								
Prime Regional	6.75%	6.50%	6.50%	6.50%	-25 bps	0 bps	0 bps	Stable	Self Storage																
Out of Town Offices																									
Prime South East	8.25%	8.00%	8.00%	8.00%	-25 bps	0 bps	0 bps	Stable	Primary	4.75%	4.75%	4.75%	4.75%	0 bps	0 bps	0 bps	Stable								
Prime Regional	9.25%	9.00%	9.00%	9.00%	-25 bps	0 bps	0 bps	Stable	Secondary	6.00%	6.00%	6.00%	6.00%	0 bps	0 bps	0 bps	Stable								
									Tertiary	7.00%	7.00%	7.00%	7.00%	0 bps	0 bps	0 bps									



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