

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

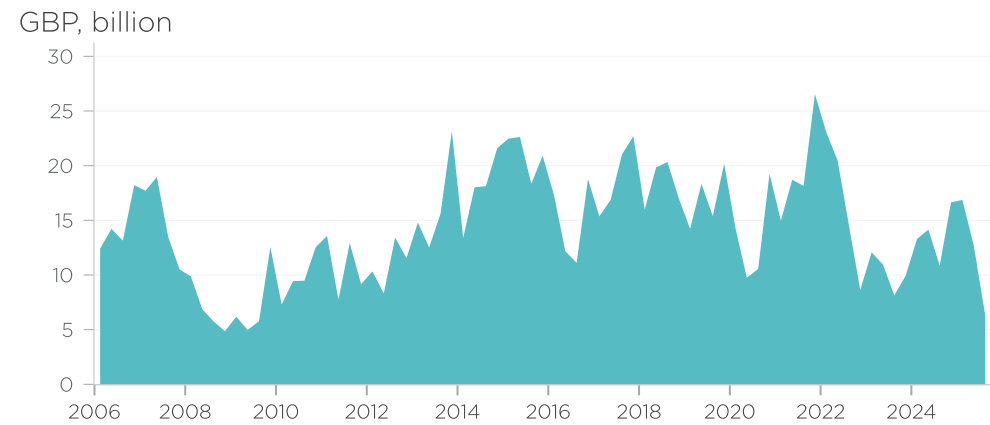


November saw net lending increase significantly, reaching £2.5 billion, the second strongest increase since May 2020. On a six month basis, net lending is at its highest since September 2008.

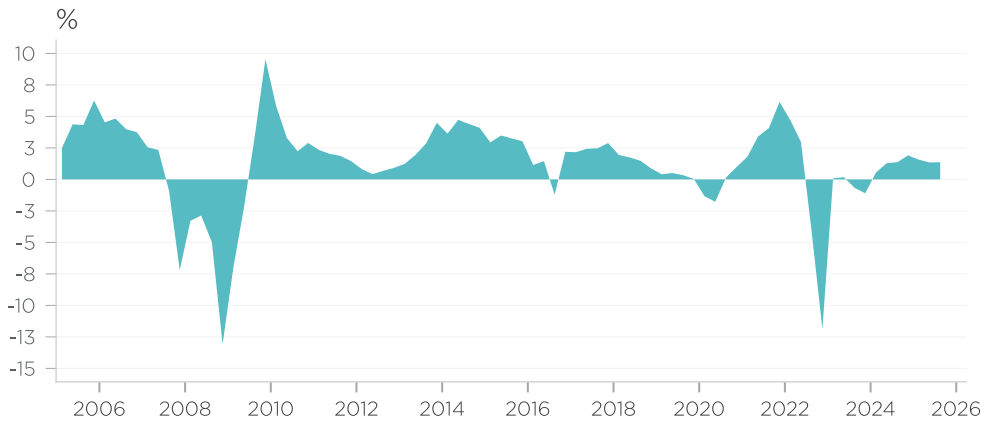
MARKET STATISTICS

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

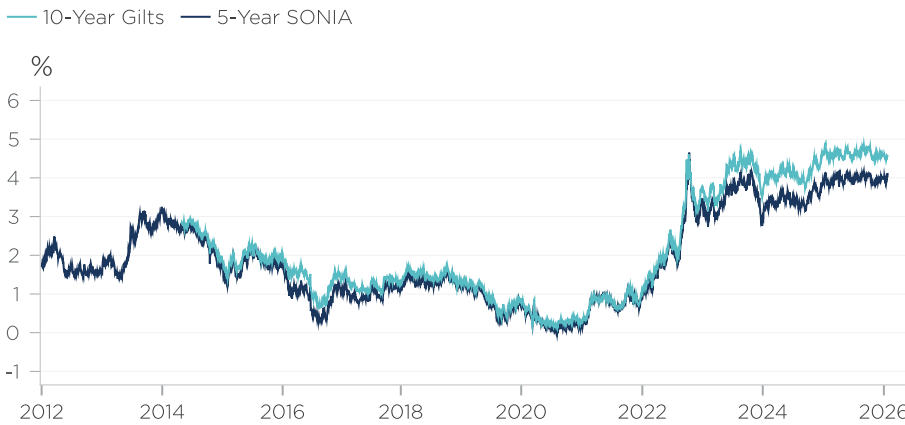
QUARTERLY INVESTMENT VOLUMES (BILLIONS)



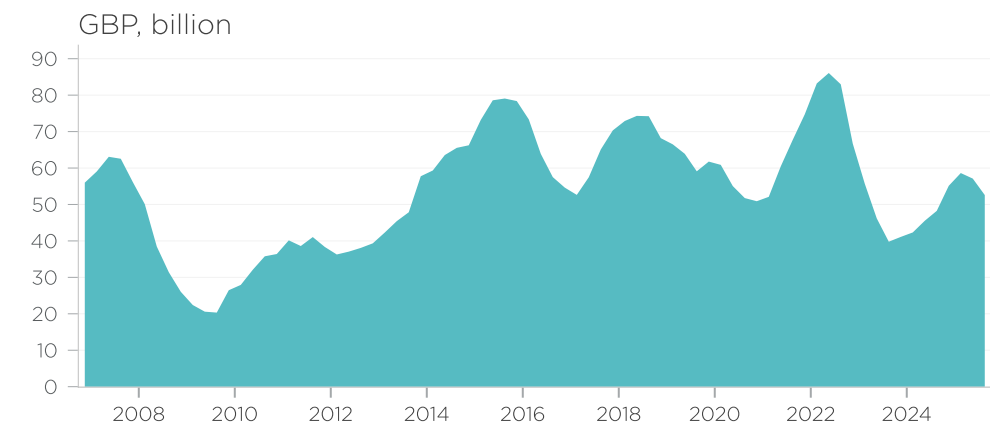
TOTAL RETURNS (%)



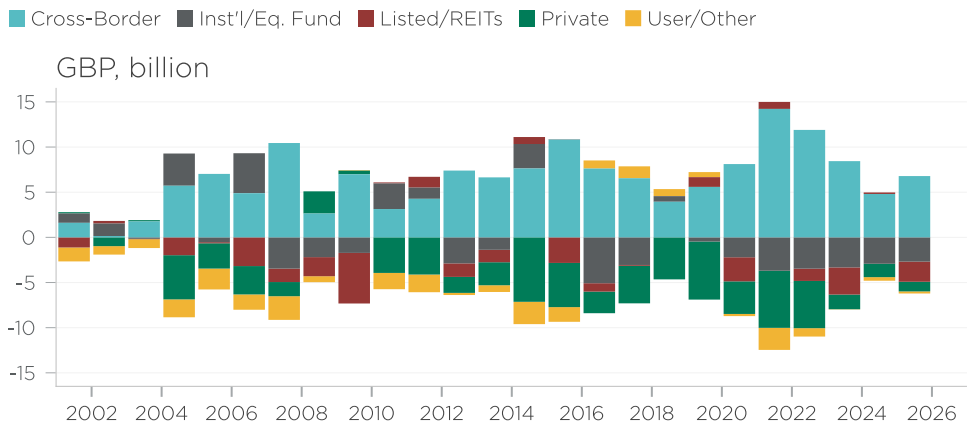
10 YEAR GILTS, 5 YEAR SONIA



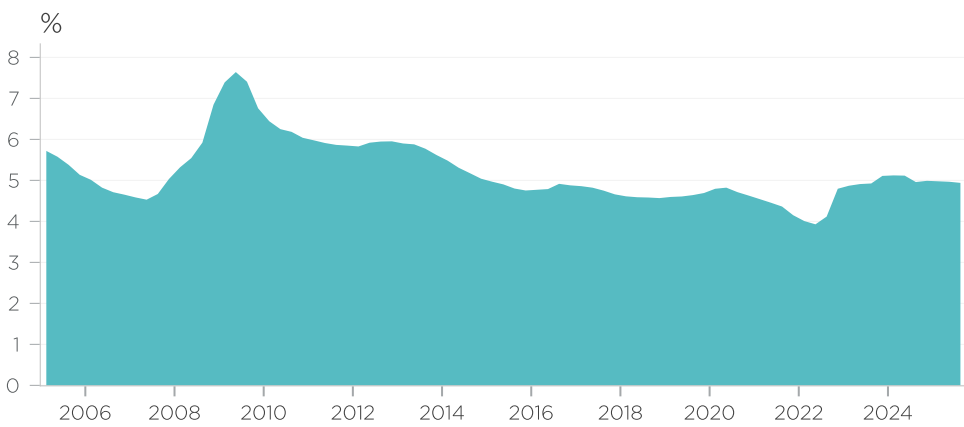
ROLLING ANNUAL INVESTMENT VOLUME (BILLIONS)



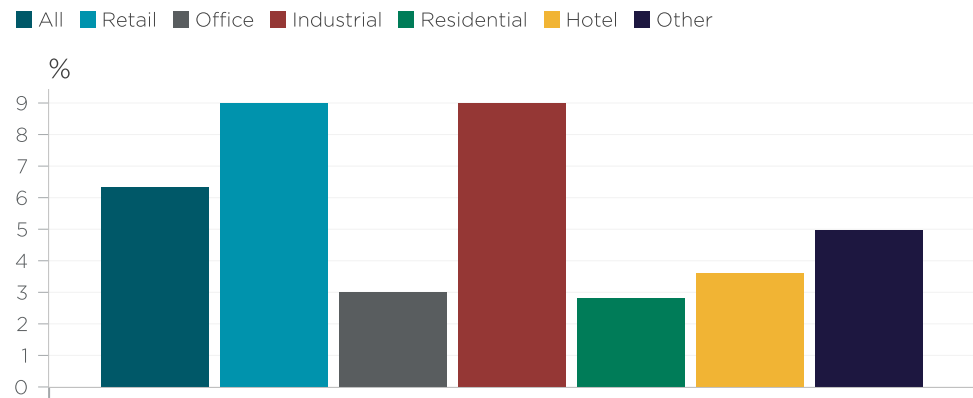
SOURCES OF CAPITAL



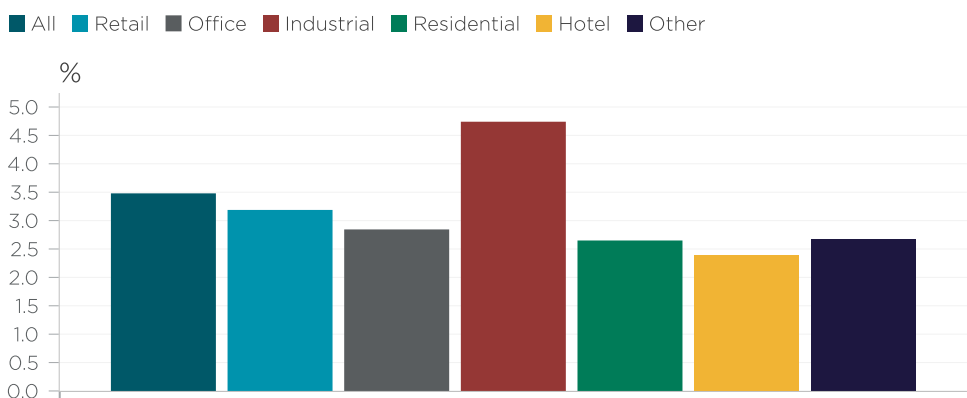
NET INITIAL YIELDS



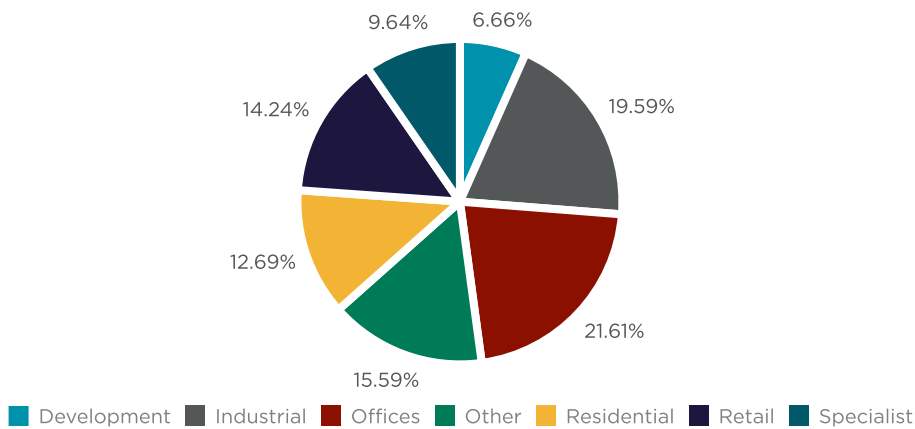
ANNUAL TOTAL RETURN BY SECTOR



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 | | | | | | | | | Co-living | | | | | | | | |
| 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 | | | | | | | | | Prime London - West End | 4.00% | 4.25% | 4.25% | 4.25% | 25 bps | 0 bps | 0 bps | Stable |
| Regional | 7.75% | 7.75% | 7.75% | 7.75% | 0 bps | 0 bps | 0 bps | Inwards | Greater London | 4.50% | 4.50% | 4.50% | 4.50% | 0 bps | 0 bps | 0 bps | Stable |
| Sub-Regional | 11.00% | 11.00% | 11.00% | 11.00% | 0 bps | 0 bps | 0 bps | Inwards | Prime Regional | 4.75% | 4.75% | 4.75% | 4.75% | 0 bps | 0 bps | 0 bps | Stable |
| Local | 12.00% | 12.00% | 12.00% | 12.00% | 0 bps | 0 bps | 0 bps | Inwards | Hotels | | | | | | | | |
| Retail Warehouses (Greater London and SE in brackets) | | | | | | | | | Prime London Fixed Income | 4.50% | 4.25% | 4.25% | 4.25% | -25 bps | 0 bps | 0 bps | Stable |
| Prime Open A1 Retail Park | 5.25% | 5.25% | 5.25% | 5.00% | -25 bps | -25 bps | -25 bps | Stable | Prime Regional Fixed Income | 5.25% | 5.00% | 5.00% | 5.00% | -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 London Trading | 5.00% | 5.00% | 5.00% | 5.00% | 0 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 Regional Tradting | 8.00% | 8.00% | 8.00% | 8.00% | 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 | Life Sciences | | | | | | | | |
| Prime Leisure Parks | 8.25% | 8.50% | 8.50% | 8.50% | 25 bps | 0 bps | 0 bps | Outwards | Golden Triangle | 5.00% | 5.00% | 5.00% | 5.00% | 0 bps | 0 bps | 0 bps | Stable |
| Multi-Let Industrial | | | | | | | | | Regional Centres | 6.25% | 6.50% | 6.50% | 6.50% | 25 bps | 0 bps | 0 bps | Stable |
| Prime Greater London | 4.75% | 4.75% | 4.75% | 4.75% | 0 bps | 0 bps | 0 bps | Stable | Care Homes | | | | | | | | |
| Prime South East | 5.00% | 5.00% | 5.00% | 5.00% | 0 bps | 0 bps | 0 bps | Stable | Prime | 4.75% | 4.75% | 4.75% | 4.75% | 0 bps | 0 bps | 0 bps | Stable |
| Prime Regional | 5.25% | 5.25% | 5.25% | 5.25% | 0 bps | 0 bps | 0 bps | Stable | Prime SPV | 5.75% | 5.75% | 5.75% | 5.75% | 0 bps | 0 bps | 0 bps | Stable |
| Distribution Warehousing | | | | | | | | | Medical | | | | | | | | |
| 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 | | | | | | | | | Prime London | 4.00% | 4.25% | 4.25% | 4.25% | 25 bps | 0 bps | 0 bps | Stable |
| Greater London | 6.75% | 6.75% | 6.75% | 6.75% | 0 bps | 0 bps | 0 bps | Stable | Greater London | 4.75% | 4.75% | 4.75% | 4.75% | 0 bps | 0 bps | 0 bps | Stable |
| Prime City Offices | 5.75% | 5.50% | 5.50% | 5.50% | -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 West End Offices | 4.00% | 3.75% | 3.75% | 3.75% | -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 M25 | 7.25% | 7.00% | 7.00% | 7.00% | -25 bps | 0 bps | 0 bps | Stable | Self Storage | | | | | | | | |
| Prime Regional | 6.75% | 6.50% | 6.50% | 6.50% | -25 bps | 0 bps | 0 bps | Stable | Primary | 4.75% | 4.75% | 4.75% | 4.75% | 0 bps | 0 bps | 0 bps | Stable |
| Out of Town Offices | | | | | | | | | Secondary | 6.00% | 6.00% | 6.00% | 6.00% | 0 bps | 0 bps | 0 bps | Stable |
| Prime South East | 8.25% | 8.00% | 8.00% | 8.00% | -25 bps | 0 bps | 0 bps | Stable | Tertiary | 7.00% | 7.00% | 7.00% | 7.00% | 0 bps | 0 bps | 0 bps | Stable |
| Prime Regional | 9.25% | 9.00% | 9.00% | 9.00% | -25 bps | 0 bps | 0 bps | Stable | | | | | | | | | |



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DECEMBER 2025

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