

MARKETBEAT INVESTMENT

OCTOBER 2026

Better never settles

RE-ESCALATION

Elevated bond yields are still weighing on investment. Volumes were provisionally £10.3bn in Q3, 1.5% above Q2 but 8% below the same quarter last year, and the fifth-lowest third quarter since 2006. That would take the year to date to just over £32bn, 25% below the same period in 2025, with almost all sectors seeing reduced volumes. Just Hotels and Residential, both lifted by large portfolio trades, are the exceptions.

While there continues to be significant headwinds with regard to the pricing of bonds, recent weeks have seen the shape of the risk curve change. While the short end has kept rising, with a November rate hike now close to fully priced, the long end has come off the boil. The 30-year gilt has now eased from just over 6% to in the region of 5.85%, as the Bank paused sales, and market attention shifted to France. Next Wednesday’s Budget is the big test. We cover this in more detail in our *Economy and Housing Marketbeat*, and we will respond on the day accordingly.

Liquidity exists, but it is not indiscriminate. There is substantial capital looking to deploy. UK pooled pension money, overseas investors, US REITs, French SCPIs, private capital and institutional funds are all active but there is a mismatch between product in demand and that available. Furthermore, the hurdle an asset has to clear has risen.

At the strongest end, core London offices, prime logistics, indexed healthcare income, institutional single-family housing, prime retail parks and London luxury hotels continue to draw competitive bidding, in places at aggressive pricing. At the weaker end, capital is available but requires materially more yield or a clearly executable repositioning story.

In terms of performance, the MSCI UK Monthly Property Index delivered an all-property total return of 0.28% in September 2026, down from 0.37% in August and the softest monthly return since October 2025. This equates to 1.0% over three months and 4.8% over 12 months. Positive returns remain entirely an income story. Income contributed 0.45% in the month against a capital value decline of 0.17%. Over the year, income of 5.5% has been partly offset by capital growth of -0.6%, with rental value growth of 3.2% not enough to offset the yield impact.



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KEY TAKEAWAYS



All Property Total Returns for September were 0.28%, down from 0.37% in August and 0.35% in both June and July. This equates to 4.8% Total Returns.



The 10-year gilt yield peaked at 5.48% on 8th October, its highest since 2007, and is currently in the region of 5.38%.



Prime yields have increased in three of our 47 markets over the course of the last month.



At its 17th September meeting, the Bank of England held Bank Rate at 3.75%. Elsewhere, the Fed, Bank of Japan and ECB all hiked interest rates.



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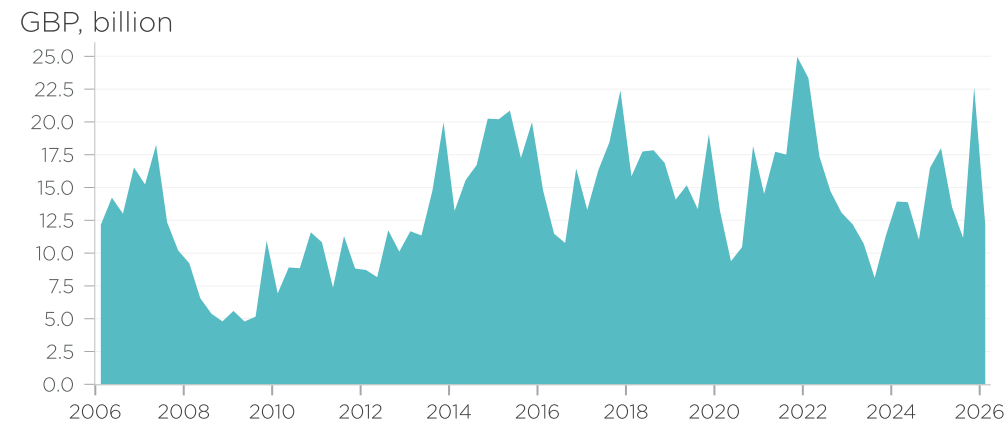
YIELD SCHEDULE

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	October 25	Q2 26	September 26	October 26 (Q3)		Q-to-Q		Outlook	Sector	October 25	Q2 26	September 26	October 26 (Q3)		Q-to-Q		Outlook
Town Centre Retail									Co-living								
Prime Retail Centres	6.50%	6.50%	6.50%	6.50%	0 bps	0 bps	0 bps	Outwards	Greater London	4.50%	5.00%	5.00%	5.00%	50 bps	0 bps	0 bps	Stable
Secondary Retail Centres	10.00%	10.00%	10.00%	10.00%	0 bps	0 bps	0 bps	Outwards	Prime Regional	5.00%	5.50%	5.50%	5.50%	50 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	4.00%	4.50%	4.50%	4.50%	50 bps	0 bps	0 bps	Stable
Regional	7.75%	7.75%	7.75%	7.75%	0 bps	0 bps	0 bps	Stable	Greater London	4.50%	4.75%	4.75%	4.75%	25 bps	0 bps	0 bps	Stable
Sub-Regional	11.00%	11.00%	11.00%	11.00%	0 bps	0 bps	0 bps	Stable	Prime Regional	4.75%	5.00%	5.00%	5.00%	25 bps	0 bps	0 bps	Stable
Local	12.00%	12.00%	12.00%	12.00%	0 bps	0 bps	0 bps	Stable	Hotels								
Retail Warehouses (Greater London and SE in brackets)									Prime London Fixed Income	4.25%	4.25%	4.25%	4.25%	0 bps	0 bps	0 bps	Stable
Prime Open A1 Retail Park	5.25%	5.00%	5.00%	5.00%	-25 bps	0 bps	0 bps	Outwards	Prime Regional Fixed Income	5.00%	5.00%	5.00%	5.00%	0 bps	0 bps	0 bps	Outwards
Prime Bulky Park	5.75%	5.75%	5.75%	5.75%	0 bps	0 bps	0 bps	Outwards	Prime London Trading	5.00%	5.00%	5.00%	5.00%	0 bps	0 bps	0 bps	Stable
Prime Supermarkets (RPI linked)	4.65%	4.65%	4.65%	4.65%	0 bps	0 bps	0 bps	Stable	Prime Regional Tradting	8.00%	8.00%	8.00%	8.00%	0 bps	0 bps	0 bps	Outwards
Prime Solus (Bulky)	5.75%	5.75%	5.75%	5.75%	0 bps	0 bps	0 bps	Outwards	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	Outwards
Multi-Let Industrial									Regional Centres	6.25%	6.50%	6.50%	6.50%	25 bps	0 bps	0 bps	Outwards
Prime Greater London	4.75%	4.75%	5.00%	5.00%	25 bps	25 bps	0 bps	Outwards	Care Homes								
Prime South East	5.00%	5.00%	5.25%	5.25%	25 bps	25 bps	0 bps	Outwards	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	Outwards	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%	5.25%	5.25%	25 bps	25 bps	0 bps	Outwards	Prime	4.50%	4.50%	4.50%	4.50%	0 bps	0 bps	0 bps	Stable
Prime Medium Income	5.50%	5.50%	5.75%	5.75%	25 bps	25 bps	0 bps	Outwards	Secondary	5.75%	5.75%	5.75%	5.75%	0 bps	0 bps	0 bps	Stable
Prime Short Income	5.75%	5.75%	6.00%	6.00%	25 bps	25 bps	0 bps	Outwards	Student Accommodation								
In Town Offices									Prime London	4.25%	4.75%	4.75%	4.75%	50 bps	0 bps	0 bps	Outwards
Greater London	6.75%	6.75%	6.75%	6.75%	0 bps	0 bps	0 bps	Stable	Greater London	4.75%	5.25%	5.25%	5.25%	50 bps	0 bps	0 bps	Outwards
Prime City Offices	5.75%	5.50%	5.50%	5.50%	-25 bps	0 bps	0 bps	Stable	Prime Regional	5.50%	5.75%	5.75%	5.75%	25 bps	0 bps	0 bps	Outwards
Prime West End Offices	3.75%	3.75%	3.75%	3.85%	10 bps	10 bps	10 bps	Outwards	Self Storage								
Prime M25	7.00%	7.00%	7.00%	7.25%	25 bps	25 bps	25 bps	Stable	Primary	4.75%	4.75%	4.75%	4.75%	0 bps	0 bps	0 bps	Stable
Prime Regional	6.50%	6.50%	6.50%	6.75%	25 bps	25 bps	25 bps	Stable	Secondary	6.00%	6.00%	6.00%	6.00%	0 bps	0 bps	0 bps	Stable
Out of Town Offices									Single Family Homes								
Prime South East	8.00%	8.00%	8.00%	8.00%	0 bps	0 bps	0 bps	Stable	Primary	4.25%	4.25%	4.25%	4.25%	0 bps	0 bps	0 bps	Stable
Prime Regional	9.00%	9.00%	9.00%	9.00%	0 bps	0 bps	0 bps	Stable	Secondary	4.75%	4.75%	4.75%	4.75%	0 bps	0 bps	0 bps	Stable

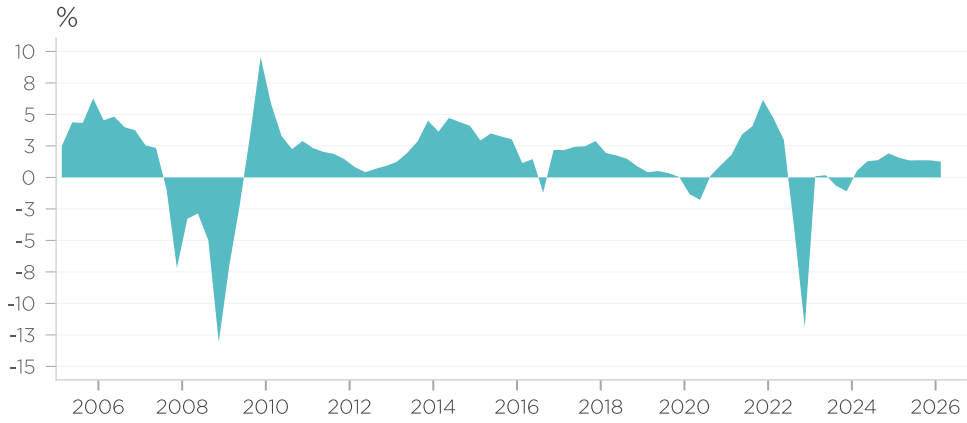
MARKET STATISTICS

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

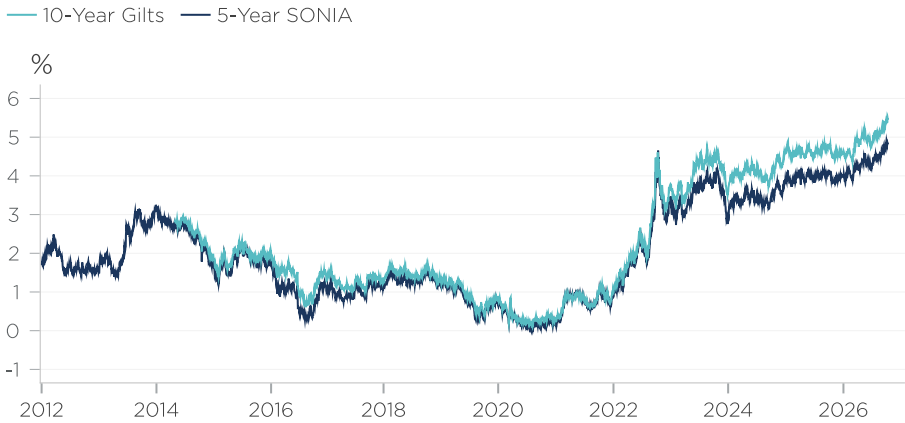
QUARTERLY INVESTMENT VOLUMES (BILLIONS)



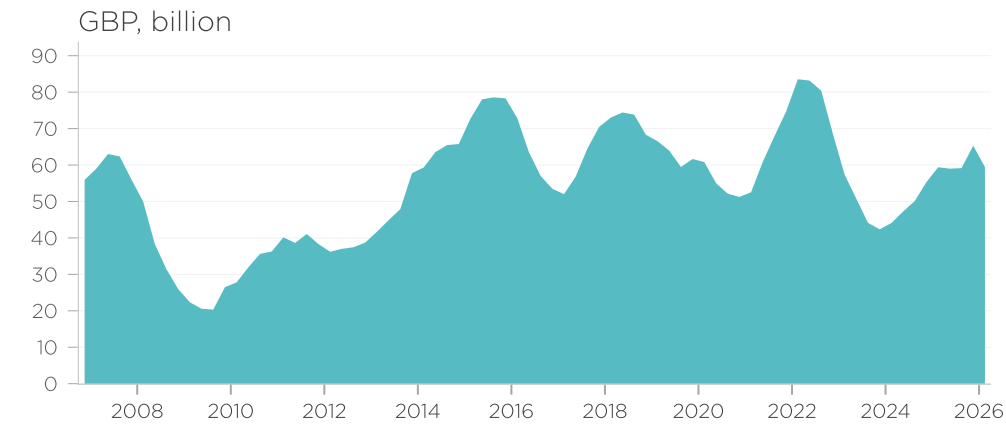
TOTAL RETURNS (%)



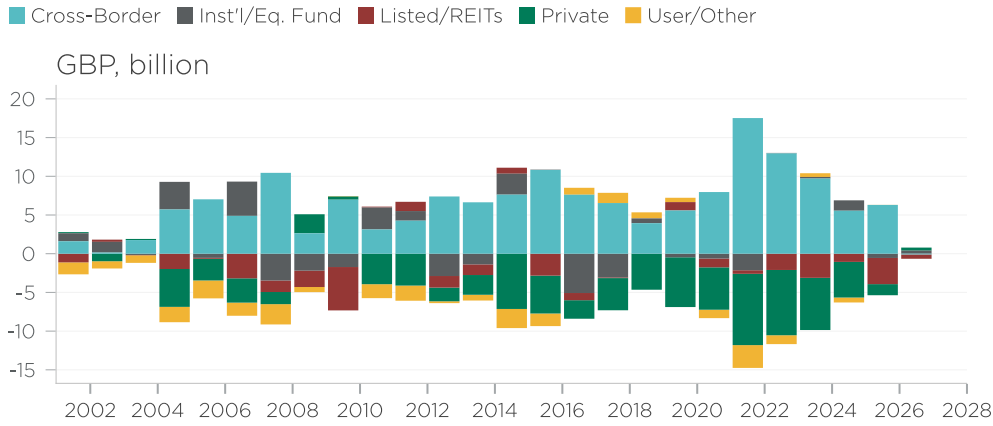
10 YEAR GILTS, 5 YEAR SONIA



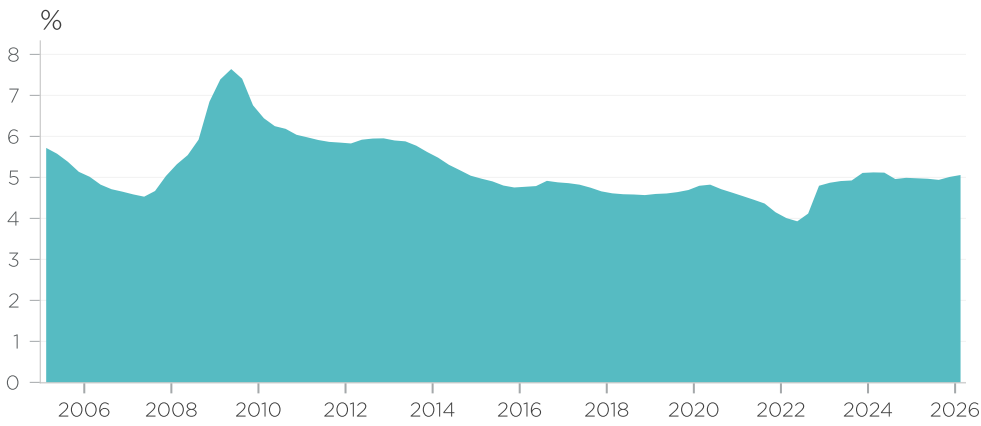
ROLLING ANNUAL INVESTMENT VOLUME (BILLIONS)



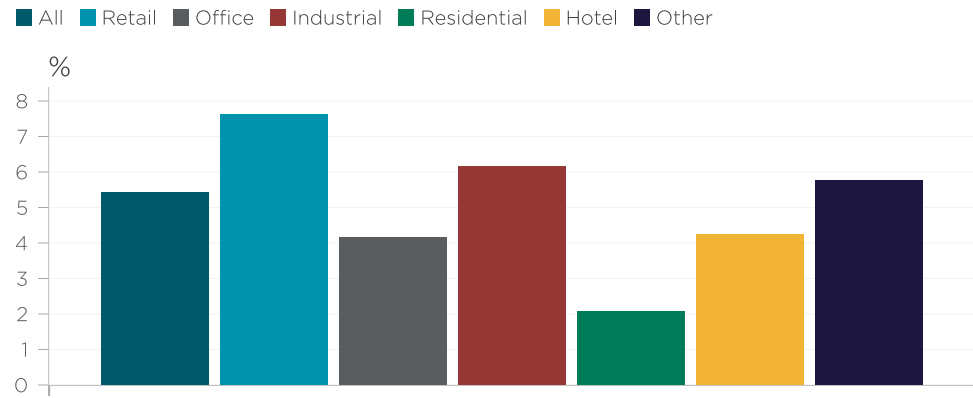
SOURCES OF CAPITAL



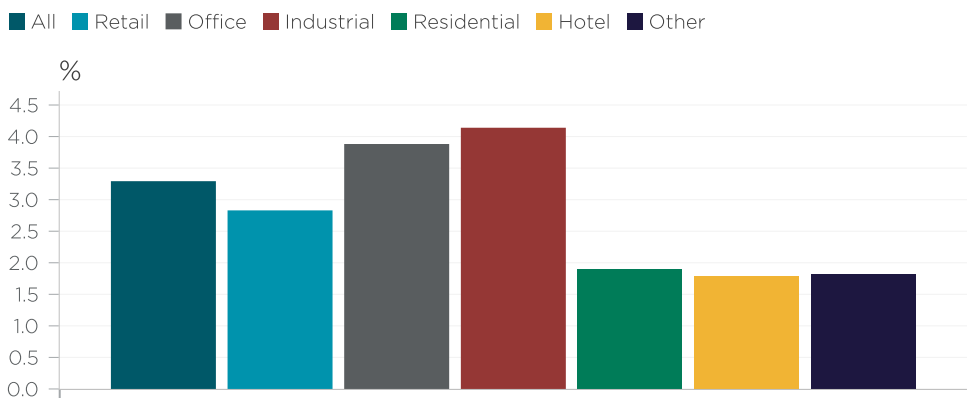
NET INITIAL YIELDS



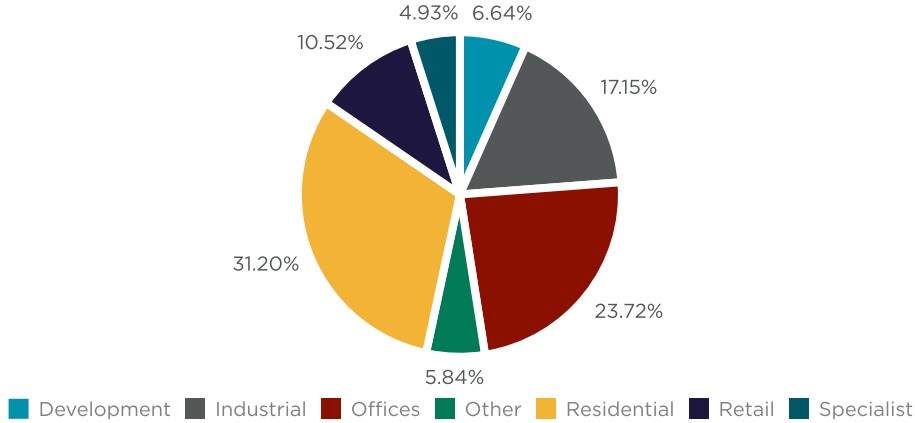
ANNUAL TOTAL RETURN BY SECTOR



ANNUAL AVERAGE RENTAL GROWTH BY SECTOR



ANNUAL INVESTMENT VOLUMES BY SECTOR





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