

MARKETBEAT INVESTMENT

MARCH 2026

THE FOG OF WAR

Ten days into Operation Epic Fury, with Brent crude well past \$100 a barrel and a new supreme leader in Tehran, the nascent recovery in UK real estate investment faces an intensifying stress test. The market entered 2026 with genuine momentum. Q4 2025 volumes of £17.5 billion were the strongest since mid-2022, and the MSCI UK Quarterly Index delivered 6% total returns for the year, and core institutional capital was visibly re-engaging. That trajectory is now up for questioning.

Ten-year gilts have surged to 4.74% (up over 40 basis points), before easing back; two-year gilt yields jumped 32 basis points on 9 March alone; and futures markets now seem to rule out Bank of England rate cuts entirely for 2026. The investment recovery was predicated on a favourable rate trajectory: falling borrowing costs, improving debt-service coverage, and gradual yield compression. Higher gilts and wider risk premia would drive capital values down. Higher financing costs and economic uncertainty are likely to slow investment decision-making in the near term. Deal timelines may extend, and some transactions could be paused.

Energy-intensive sectors including manufacturing, logistics and data centres face the most direct cost impact. The UK already has the highest industrial energy prices in the developed world; a further spike could lead to occupier retrenchment. Higher energy bills and fuel costs will also impact consumer-facing industries. However, there is nuance over and above a risk-off narrative. The FTSE 100 is down from pre-war highs, but real estate equities have thus far outperformed the broader index suggesting defensive rotation toward real assets rather than outright flight. There is an argument to be made that with bonds, equities losing value, then secure index-linked income gives inflationary protection.

In turn, for core assets with secure income, real estate's relative stability may attract defensive capital, particularly from investors rotating out of volatile equity markets (although there is a wider story at play here for another time). Additionally, there is an argument that the UK's safe-haven credentials of deep liquidity, transparent legal frameworks, and relative political stability are being reinforced.



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KEY TAKEAWAYS



5-year SONIA is currently at ~4.0%, having risen sharply from ~3.6% at the start of the conflict. It is worth noting that rates remain below the level of a year ago when 5-year SONIA was approximately 4.3%.



10-year gilts hit 4.74% on 9th March (up 16bps on the day), eased back to around 4.55% on Tuesday as oil retreated. Prior to the war, gilts had been trending down after positive government accounts data for January.



Prime yields remain stable across almost all markets, with only Central and Greater London Student accommodation seeing outward yield movement.



The MPC voted 5-4 to hold the base rate at 3.75% in February. Futures markets now seem to rule out cuts entirely for 2026, with 10-year gilt yields hitting 4.74% before retreating, up over 40bps since the strikes began.

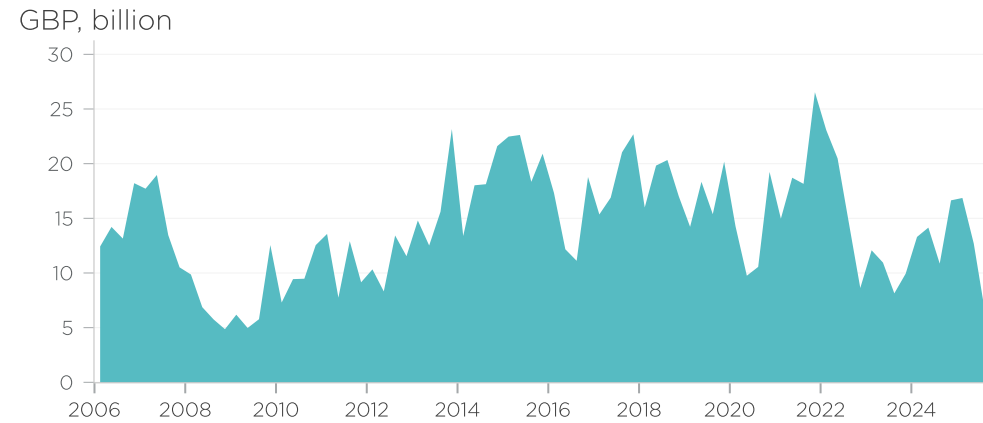


Core capital was returning to the market, but with gilt yields at 4.74% and rate cuts now ruled out for 2026, the yield compression thesis that underpinned the recovery has been materially undermined.

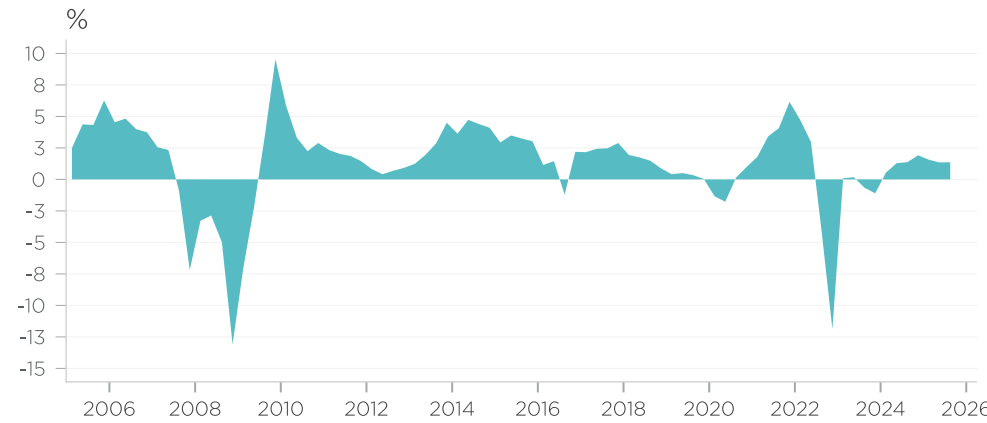
MARKET STATISTICS

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

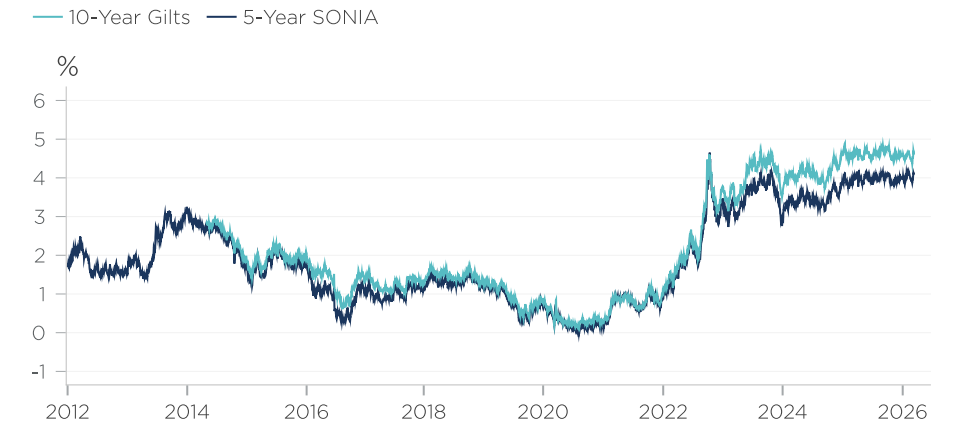
QUARTERLY INVESTMENT VOLUMES (BILLIONS)



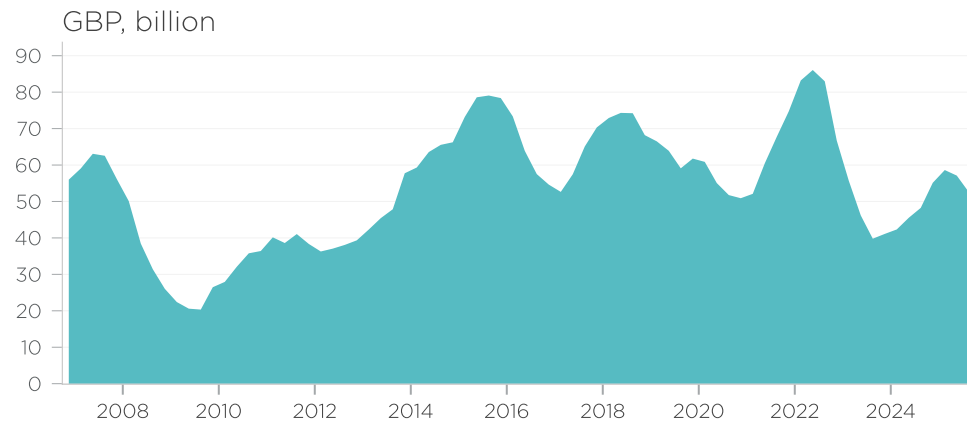
TOTAL RETURNS (%)



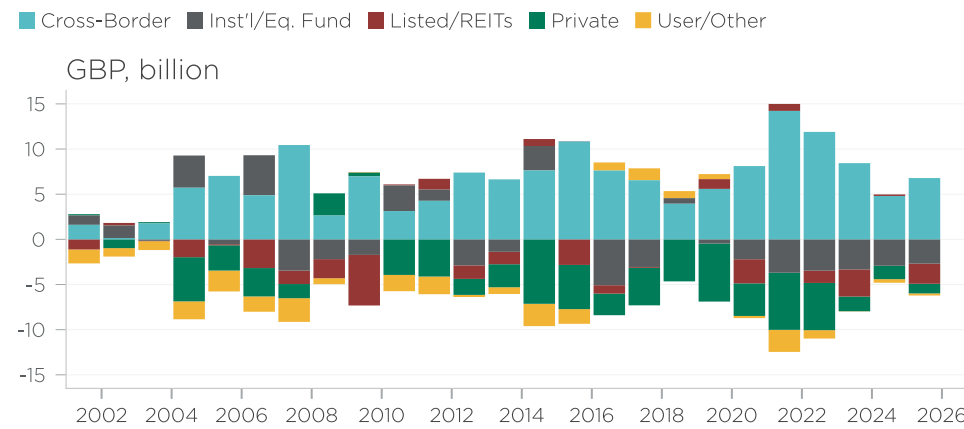
10 YEAR GILTS, 5 YEAR SONIA



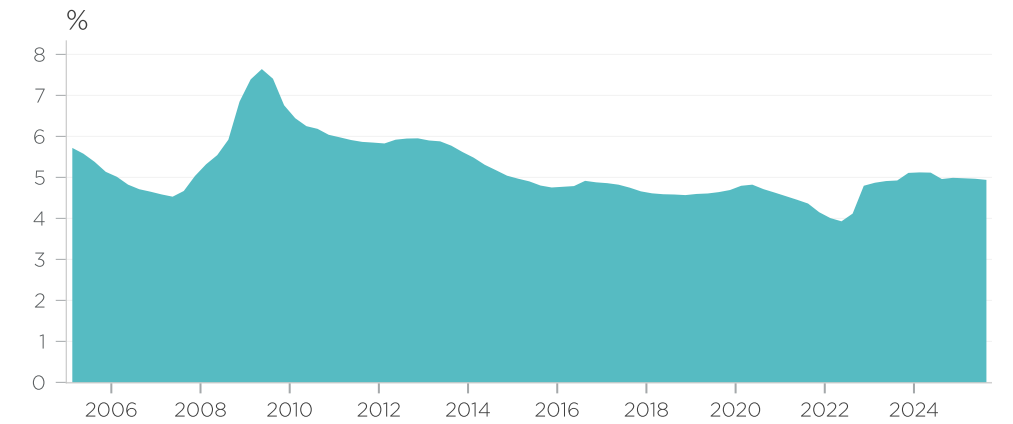
ROLLING ANNUAL INVESTMENT VOLUME (BILLIONS)



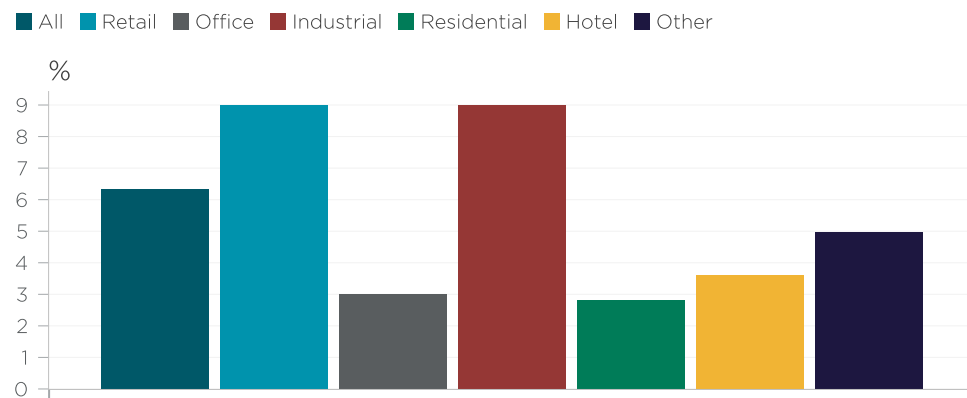
SOURCES OF CAPITAL



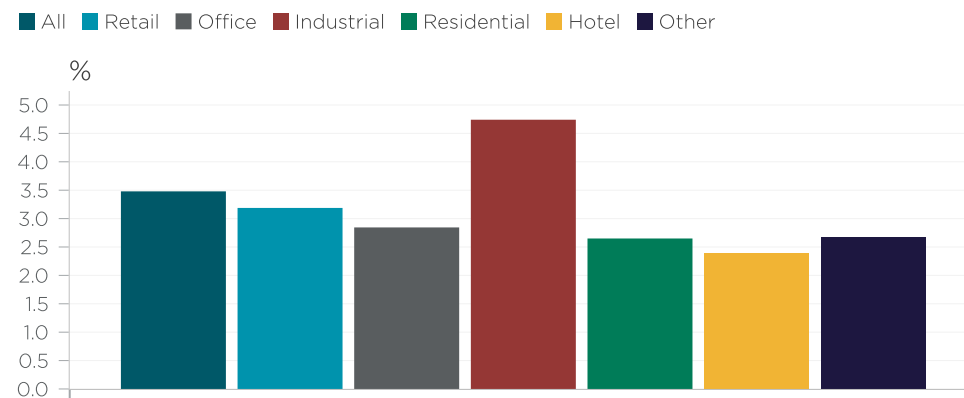
NET INITIAL YIELDS



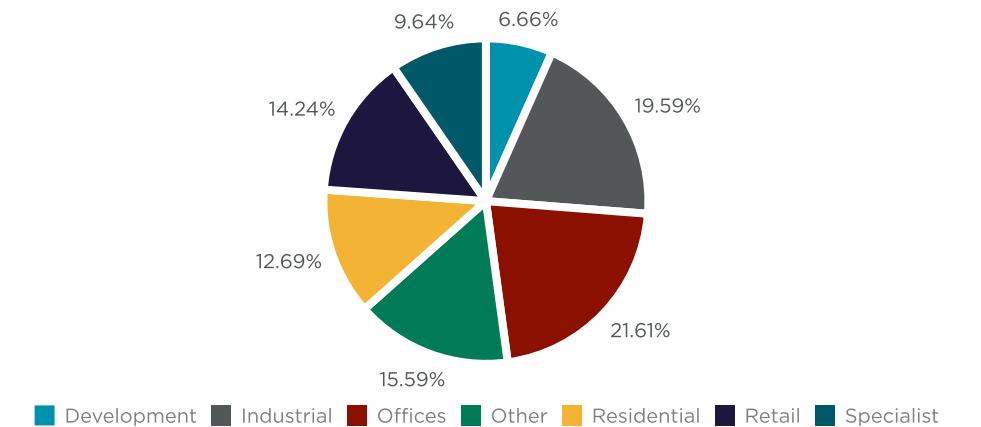
ANNUAL TOTAL RETURN BY SECTOR



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	March 25	Q4 25	February 26	March 26		Q-to-Q		Outlook	Sector	March 25	Q4 25	February 26	March 26		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	5.00%	5.00%	5.00%	5.00%	0 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%	4.25%	4.25%	4.25%	25 bps	25 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	Outwards
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	Outwards
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	4.25%	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	-25 bps	0 bps	Stable	Prime Regional Fixed Income	5.00%	5.00%	5.00%	5.00%	0 bps	0 bps	0 bps	Stable
Prime Bulky Park									Prime London Trading	5.00%	5.00%	5.00%	5.00%	0 bps	0 bps	0 bps	Stable
Prime Supermarkets (RPI linked)	4.75%	4.65%	4.65%	4.65%	-10 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 Solus (Bulky)	5.75%	5.75%	5.75%	5.75%	0 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	Stable	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%	4.50%	50 bps	0 bps	25 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%	5.00%	25 bps	0 bps	25 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	Outwards
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	Outwards
Prime M25	7.00%	7.00%	7.00%	7.00%	0 bps	0 bps	0 bps	Stable	Self Storage								
Prime Regional	6.50%	6.50%	6.50%	6.50%	0 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	8.00%	8.00%	8.00%	8.00%	0 bps	0 bps	0 bps	Stable	Tertiary	7.00%	7.00%	7.00%	7.00%	0 bps	0 bps	0 bps	Stable
Prime Regional	9.00%	9.00%	9.00%	9.00%	0 bps	0 bps	0 bps	Stable									



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