

MARKETBEAT INVESTMENT

OCTOBER 2025 - IN BRIEF

Better never settles

MIXED SENTIMENT AROUND

There is a mix of sentiment as we move into the final quarter of the year. Notably, the recent divergence between the UK NAREIT index and the FTSE100 is in stark contrast to where we were earlier on in the year, suggesting that equity investors are much less bullish on real estate than they are on other parts of the economy as a result of the higher interest rate environment – with offices and industrial focused shares down even further.

In terms of investment volumes, we are not envisaging a sharp increase in activity during the final few months of the year – due in part to the spectre of seeing how the Chancellor is able to balance the books in the late budget. We cover that more in the *Economy and Housing Marketbeat*. However, there are a number of areas to keep an eye on:

Across *central London offices*, while volumes remain muted, there is increased demand particularly from US private equity investors and Japanese investors, particularly on the look out for perceived value in the market. Overall, the market remains relatively muted but feels healthier than it did this time last year.

The *retail* sector's stellar performance continues but investor demand is uneven across the sector. An improvement in lending conditions is helping fuel demand particularly for shopping centres, and there are a number of larger opportunities online which will be a barometer for market appetite.

Value-add capital remains active across the *PBSA* market, particularly for older stock needing capex or operational resets. The volume under offer will likely result in the market falling slightly below last year's total investment, but there have been several portfolio launches in recent weeks.

While *hotels* investment is well below last year's total, several large assets and portfolios are now in the market or under offer, with activity ramping up – particularly for larger lot sizes in London. Despite the volumes, the shift towards single-asset deals means the overall market is more liquid than last year.



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KEY TAKEAWAYS



The most recent MSCI monthly total returns came in at 0.6%. Monthly Total Returns have been broadly similar throughout the course of 2025. The star performer was high street retail, followed closely by Supermarkets.



On an annual basis, MSCI monthly Index total returns are at 8.7%, with rental value growth increasing by 3.3% during the time period.



According to our Prime Yield coverage, only one market moved – regional life sciences moved out 25 basis points to 6.5%.



The next MPC meeting is on 5th November, with the base rate currently at 4%.

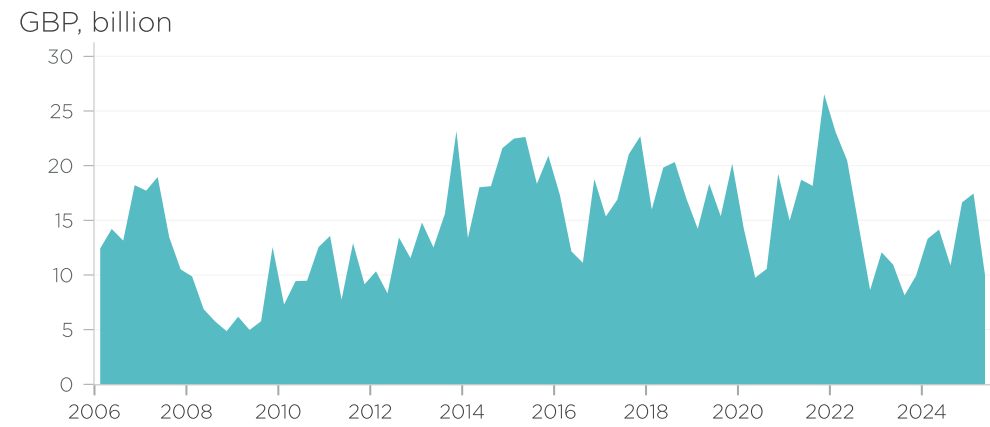


In August, net lending to property reached its highest monthly level since May 2020. This means the last three months have seen net levels of £6.3 billion – the highest in the last 15 years.

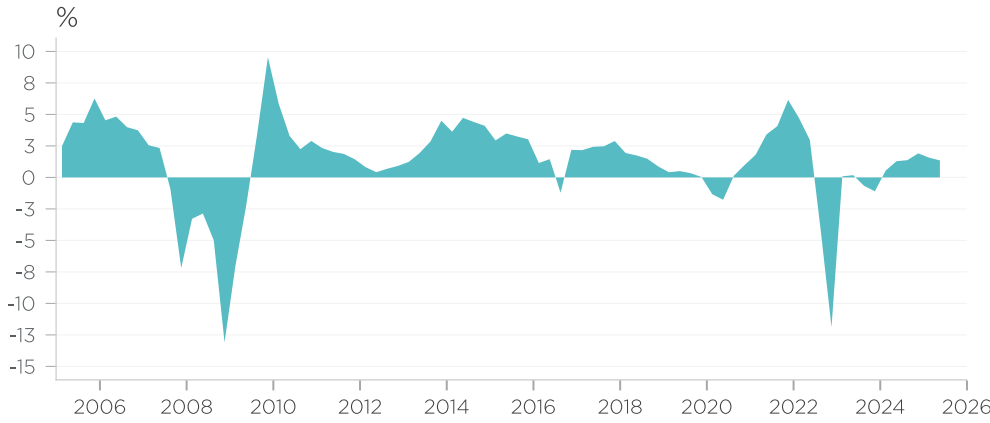
MARKET STATISTICS

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

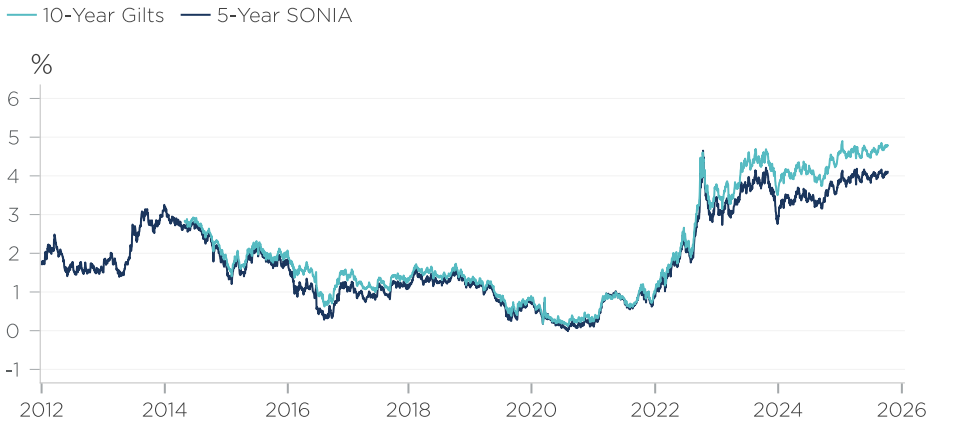
QUARTERLY INVESTMENT VOLUMES (BILLIONS)



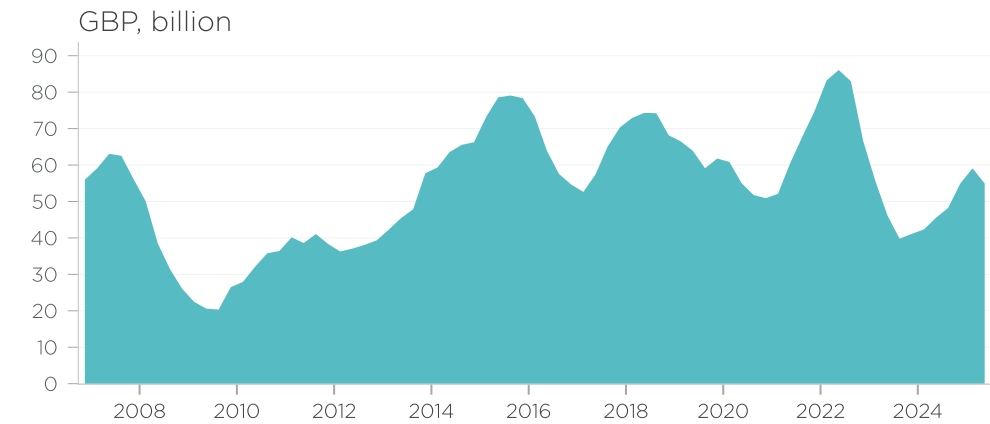
TOTAL RETURNS (%)



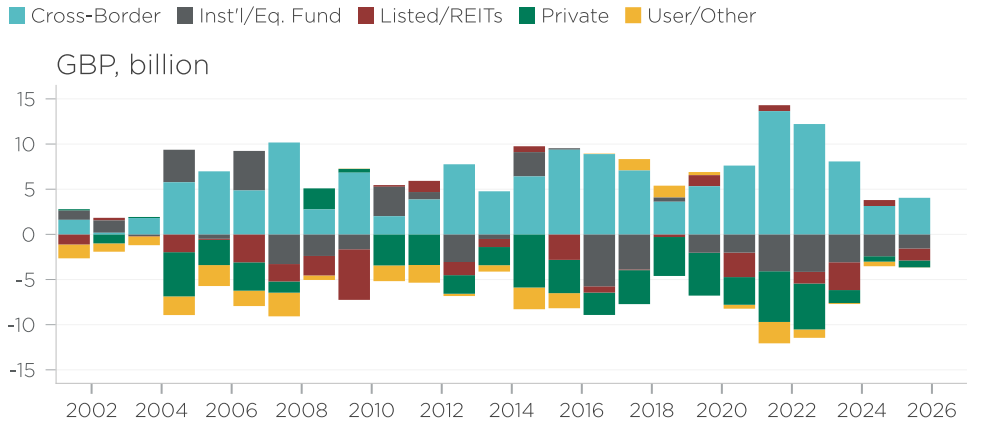
10 YEAR GILTS, 5 YEAR SONIA



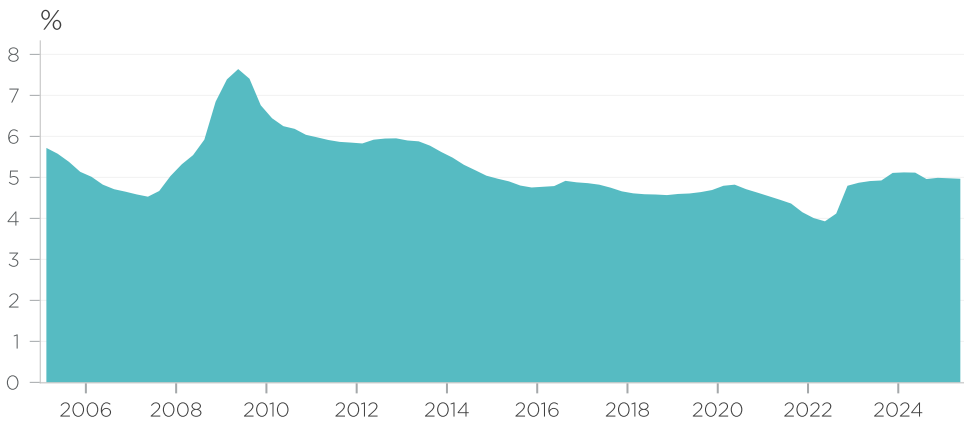
ROLLING ANNUAL INVESTMENT VOLUME (BILLIONS)



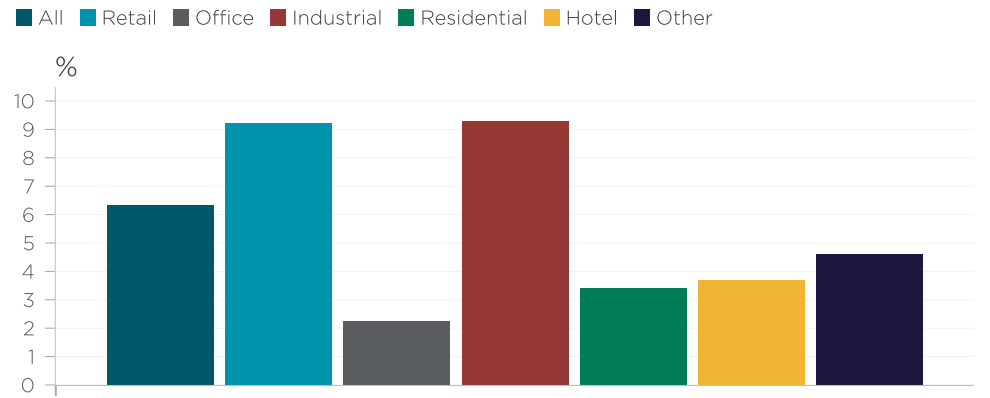
SOURCES OF CAPITAL



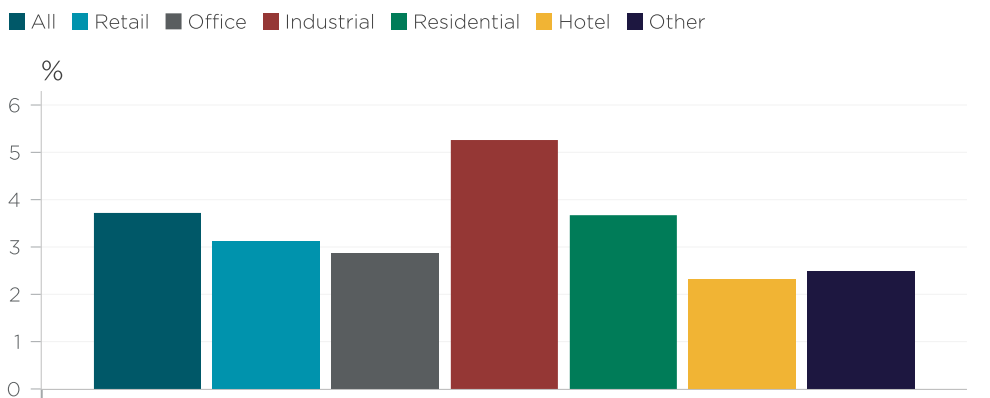
NET INITIAL YIELDS



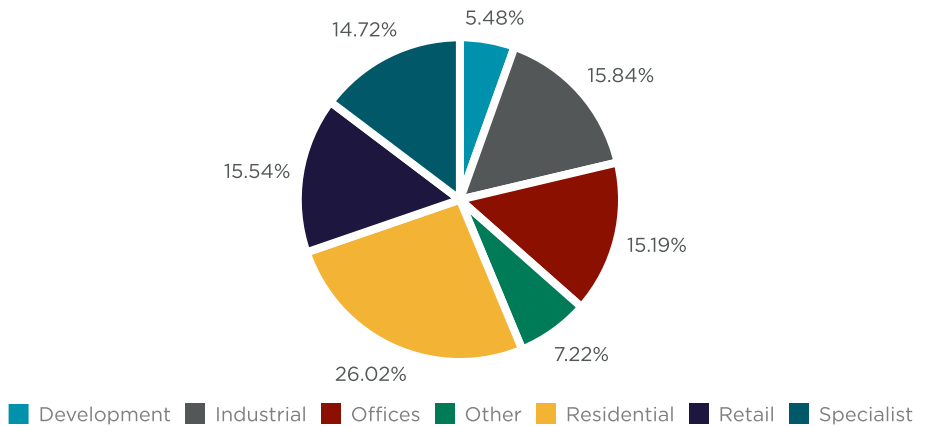
ANNUAL TOTAL RETURN BY SECTOR



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	October 24	Q2 25	September 25	October 25 (Q3)		Q-to-Q		Outlook	Sector	October 24	Q2 25	September 25	October 25 (Q3)		Q-to-Q		Outlook
Town Centre Retail									Co-living								
Prime Retail Centres	7.00%	6.50%	6.50%	6.50%	-50 bps	0 bps	0 bps	Stable	Greater London	4.75%	4.50%	4.50%	4.50%	-25 bps	0 bps	0 bps	Stable
Secondary Retail Centres	10.50%	10.00%	10.00%	10.00%	-50 bps	0 bps	0 bps	Stable	Prime Regional	5.75%	5.00%	5.00%	5.00%	-75 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%	4.00%	4.00%	4.00%	0 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%	4.50%	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	Stable	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	Stable	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	Inwards
Prime Open A1 Retail Park	5.50%	5.25%	5.25%	5.25%	-25 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 Bulky Park	6.00%	5.75%	5.75%	5.75%	-25 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%	4.75%	4.65%	4.65%	-20 bps	-10 bps	0 bps	Inwards	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%	8.25%	8.25%	8.25%	0 bps	0 bps	0 bps	Outwards	Golden Triangle	5.00%	5.00%	5.00%	5.00%	0 bps	0 bps	0 bps	Inwards
Multi-Let Industrial									Regional Centres	6.25%	6.25%	6.25%	6.50%	25 bps	25 bps	25 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	6.00%	5.75%	5.75%	5.75%	-25 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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