CUSHMAN & WAKEFIELD

MARKETBEAT
INVESTMENT

AUGUST 2026

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THE SUMMER RESET

While the summer has been hot, the investment market, it is fair to say, has been running cooler. After a quiet Q1, Q2 saw a further 7% fall in investment activity to £11.3 billion. This means that by the end of the first half of the year, just £23.4 billion had been transacted – 34% down on the H1 investment for 2025. Since then, Swap and gilt market volatility has continued to act as a constraint on momentum and there are signs of an improving but thin market, with best in quality assets still attracting competitive bidding, while secondary stock and capex- intensive assets are proving more difficult to price.

Real estate performance nevertheless remains relatively robust with the MSCI Quarterly Index delivering total returns of 0.8% for the quarter, representing 5.1% over twelve months. While still positive, this represents a downturn from recent performance as a result of negative yield impact across almost all sectors, while rental growth remains positive. As a result, dispersion is flattening rather than widening, highlighting the fact that market conditions are having an impact across all aspects of the market.

However, as ever there are a few notable stories across the sectors. For the first time since 2022, all office segments turned positive. However, there is an increasing gap between secondary buildings in different locations - with the spread between central London and South East at 8%. The Industrial sector is continuing to see yield drift, with the sharpest impact in logistics, at around 1.5%. Retail remains the best performing sector, seeing 1.8% in the quarter, and 7.8% over the year – with Shopping Centres the best performing subsector at 8.7% over the year. While residential has turned negative at -0.9% for the quarter, this is largely driven by leasehold reform impacting ground rent valuations.

As we look to September, while the continued weight of capital geared towards the market remains positive, as long as risk and the cost of borrowing is elevated, we expect liquidity to remain constrained.

Jason Winfield
Head of UK Capital Markets
jason.winfield@cushwake.com

Daryl Perry
Head of UK Research & Insight
daryl.perry@cushwake.com

KEY TAKEAWAYS

Q2 saw just £11.3 billion transact, bringing H1 investment volumes to £23.4 billion – 34% down on the prior year.

Total Returns for the MSCI Quarterly Index totalled 0.8% for Q2. This brought 12-month Total Returns to 5.1%, representing a downturn from previous quarters.

Prime yields have remained stable with limited new market evidence of repricing.

The latest MPC meeting held interest rates at 3.75% across a vote of 6.3.

With 10-year gilts now back above 5%, this will have a negative impact on real estate pricing.

Chris Bennett
Head of London Offices Capital Markets
Email me

CENTRAL LONDON OFFICES

Market Trends – In Q2 2026, approximately £2.06 billion of office assets were traded across the Central London office investment market, representing an increase on the £1.94 billion recorded in Q1. This brought H1 2026 volumes to £4.02 billion, 15% below both H1 2025 and the five-year H1 average. UK purchasers were again the most active buyers in H1, deploying £1.70 billion, albeit overseas capital remained an important driver of demand with investors from Europe (£926 million), North America (£632 million) and Asia Pacific (£457 million) all active during the first half of the year.

Dynamics – Liquidity in larger lot sizes drove investment in the first half of the year, with 12 deals over £100 million trading, equating to £2.35 billion – more than half of the overall total. While this is equivalent to the deal numbers in this size bracket recorded in H1 2025, total volumes were lower by 19%. Looking ahead, we anticipate that the volume of larger lot size transactions will continue to increase for the remainder of 2026. Investor focus typically remains concentrated on well-located new or fully refurbished assets that offer secure income, or alternatively centrally located assets that require substantial asset management or refurbishment in order to create a core profile.

Outlook –Yields were held stable in Q2, at 5.50% in the City and 3.75% in the West End. Whilst immediate yield compression remains unlikely due to the ongoing impact of the Middle East crisis, we continue to forecast yield compression in the medium term.

BAROMETER DEAL

1 Churchill Place, E14

Yield – n/a

Price – £750 million

Status – Sold (June 2026)

Comments – c. 1 million sq ft, sold by Canary Wharf Group to Barclays for own occupation.

Andrew Meikle
Head of National Capital Markets
Email me

REGIONAL OFFICES

Market Trends – Investment volumes across regional office markets reached £353.9 million in Q2 2026, down 30% on Q1 and 59% below the five-year quarterly average. Limited activity in the South East weighed on overall regional volumes, with £148.1 million transacted, 73% below the five-year quarterly average. Activity across the 'Big Five' also softened, with £205.8 million transacted.

Dynamics – Capital in the regional office market remains selective, although a growing number of transactions and assets under offer are providing greater pricing clarity. Demand is deepening for best-in-class, well-located buildings offering secure income, and limited near-term capital expenditure, attracting institutional and Middle Eastern-backed capital. French SCPIs remain active, particularly above 7.5%, while appetite for capital-intensive repositioning remains limited. This polarisation is supporting prime asset liquidity, while secondary stock faces a narrower buyer pool.

Outlook – While investment activity remained subdued during the first half of 2026, there are increasingly positive signs of renewed engagement with the regional office sector. The completion of long-running transactions such as 2 Snowhill early in Q3 suggests confidence is beginning to return, while demand for best-in-class assets and repositioning opportunities continues to strengthen. Although limited stock and slow deal progression may constrain volumes in the near term, deferred launches could support an increase in activity towards the end of H2 2026, with further momentum building into early 2027.

BAROMETER DEAL

The Lincoln, Manchester

Yield – 6.80%

Pricing – £55 million

Status – Sold

Comments – Northtree purchased the fully-let scheme for the quoting price of £55 million after a competitive bidding process.

Rory MacGregor
Head of Science & Innovation
Email me

LIFE SCIENCES

Market Trends – In Q2 2026, investment volumes in the Golden Triangle life sciences real estate market reached £160.0 million. The largest transaction of the quarter involved British Land's acquisition of Life Science REIT for £150 million, comprising five properties across the Golden Triangle totalling 694,300 sq ft. Elsewhere, Wrenbridge and Investec have acquired a three-acre site in North Cambridge from the Coulson Building Group for £10 million, with plans to develop it into a commercial offering.

Dynamics – Investor demand remains selective, with activity focused on prime assets, established clusters and opportunities offering clear routes to income. Prime and secondary yields held at 5.00% and 6.50% respectively, although the outlook has weakened amid the continued raised vacancy levels in the first half of 2026.

Outlook – Investment activity during the first half of the year reflects a challenging environment, and expectations of a marked recovery in investor appetite during 2026 should remain measured. However, early green shoots are emerging in the occupational market, with GSK's planned 300,000 sq ft Cambridge R&D centre and significant space under offer across the Golden Triangle signalling renewed occupier commitment. This demand could help reduce vacancy and support an improvement in investor confidence, although geopolitical uncertainty, selective venture capital funding and macroeconomic headwinds remain.

BAROMETER DEAL

Life Science REIT Portfolio

Yield – c.11-12%

Price – £150 million

Status – Sold

Comments – British Land's acquisition of Life Sciences REIT for £150 million, comprising five properties across the Golden Triangle totalling 694,300 sq ft.

Ed Cornwell
International Partner, UK Logistics & Industrial Capital Markets
Email me

Marcus Wood
International Partner, UK Retail & Leisure Capital Markets
Email me

Andrew Horder
Partner, UK Hospitality
Email me

LOGISTICS & INDUSTRIAL

Market trends – Investment activity across the UK Logistics and Industrial sector remained subdued during Q2 2026, with volumes totalling £1.1bn. Ongoing financial market volatility, an uncertain macroeconomic outlook and limited availability of institutional-grade prime stock continued to weigh on activity, leaving H1 turnover at £2.2bn, the weakest first-half performance since 2013. Despite lower headline volumes, transaction numbers improved during the quarter, with activity remaining focused on prime markets across the Midlands and South East where occupational fundamentals remain strongest.

Dynamics – Investor conviction around the sector remains robust and a deep pool of capital continues to target Logistics and Industrial assets. However, the challenge of deploying capital into the sector persists, with limited prime opportunities driving a rise in off-market activity and encouraging some investors to aggregate smaller lot-size assets. Appetite from value-add and opportunistic capital remains evident, although deployment conditions continue to vary. Pricing softened modestly during the quarter, with prime yields moving out as financial market volatility and higher government bond yields continued to influence investor sentiment.

Outlook – Further caution around inflation, political developments and broader financial market conditions is expected to weigh on market activity over the coming quarters. However, improving visibility around monetary policy and gradually improving debt availability should support transactional confidence. Despite near-term challenges, resilient occupational markets and sustained investor conviction are expected to underpin liquidity and support pricing for prime assets through the remainder of the year.

BAROMETER DEAL

BGO Portfolio

Yield – Undisclosed.

Pricing – c. £150 million

Status – Completed

Comments- Purchased by Sunrise from BGO

RETAIL & LEISURE

Market trends – Retail investment activity remained subdued during Q2 2026, with volumes falling to just £176m as a shortage of investment-grade opportunities continued to constrain transaction levels. Despite muted activity, investor sentiment towards the sector remains positive, supported by improving occupational fundamentals, a broadening rental growth story and strong relative performance. Total returns for the All Retail segment are outperforming the wider property market and reinforcing growing conviction around the sector's recovery.

Dynamics – Investor appetite remains strongest for retail parks, where record-low vacancy, high tenant retention and sustained occupier demand continue to drive competitive bidding for available assets. Strong income characteristics and a wide range of asset management opportunities are also supporting demand across the shopping centre market, particularly for dominant schemes capable of delivering future rental growth. However, limited transactional evidence, ongoing financial market volatility and continued economic uncertainty are contributing to more protracted sales processes, whilst a lack of stock is increasingly driving off-market activity.

Outlook – While financial market conditions and limited pricing transparency may continue to temper activity over coming quarters, improving occupational market fundamentals and sustained income growth should support investor demand. With stock availability remaining constrained and confidence in the sector continuing to recover, prime retail assets are expected to remain well supported by both domestic and overseas capital.

BAROMETER DEAL

Merry Hill

Yield – 8.75%

Pricing - £291 million

Status – Completed

Comments – Redical purchase from Sovereign Centros

HOTELS

Market trends - Transaction volumes for H1 2026 are approximately 70% higher than the same period last year reaching c. £2.7 billion. This has been driven by a number of high value single asset deals in London although there has been a lower number of deals especially in the regions.

Dynamics - The sector continues its resilience from Q1, with high value asset deals in London such as Novotel Tower Bridge transacting for £120 million and the Hotel Saint transacting for around £130 million. In the regions, notable transactions have included the sale of the Courtyard by Marriott Oxford for around £74 million and the Hilton Garden Inn Silverstone for a reported £60 million. There are also a number of large assets available or under offer that are likely to transact in the second half of the year such as the Rosewood, Holborn and a portfolio of 15 regional Moxy branded hotels.

Outlook – 2026 so far has represented a flight to quality, with the market being held up by those high value assets in strong locations. This trend is likely to continue as investors seek those best positioned assets with continued resilience or those with value-add opportunity. Whilst trading performance has held up in H1, the broader economic uncertainty does have the potential to put a strain on trading performance in the short term due to increased cost pressures.

BAROMETER DEAL

Novotel Tower Bridge

Yield – N/A

Price – £120 million

Status – Sold

Comments – 203 Room 4 Star Hotel in Central London.

Peter Farnes
Head of Healthcare Investment
Email me

HEALTHCARE

Market Trends – The market has been strong throughout Q2, especially in the hospitals sector with Blue Owl taking 16 hospitals from EPF for c. £1.2 billion and PHP are in talks to form a joint venture for their hospitals valued c. £800 million. The growing trend is that investors have appetite for cure-led strategies with hospitals whereas over the last few quarters the focus has been on care homes. There is still a strong desire in the market for care homes, but it shows there is the capital available for these larger transactions with lower yields.

Dynamics – A lot of deals that stalled at the end of 2025 have finally completed, leading to some of the big hospital transactions seen over the last quarter. While there is some cross-market interest, especially in some forward-funded assets in London, the market continues to be led by US REITs and specialists, with some New York-based family offices beginning to pick up more assets. Plus the pooled pension funds starting to acquire again.

Outlook – With more investors being interested in cure-led approaches as well as the care-led approaches seen over previous quarters, the market remains busy with assets coming through the pipeline and being priced competitively. Forward-funding deals and platform deals continue to remain interesting to investors, and good levels of activity are likely.

BAROMETER DEAL

PARK VIEW
GLOUCESTER

Parkview Gloucester

Yield – N/a

Price – £17.5 million

Status – Sold

Comments – Parkview Gloucester, a 97-bed purpose-built care home, developed and operating since 2016 by Parkview Gloucester, has been purchased by Welford Healthcare.

James Dunne
Head of Living
Email me

BUILD TO RENT

Market Trends - The geopolitical uncertainty that framed our Q1 commentary did not derail investor activity in the living sector. As we anticipated, transactional activity accelerated with large deals completing, led by the two largest BTR transactions in London – The acquisition of L&Q's Metra Living platform for £1.1 billion, and Greystar's circa £500 million purchase of Elephant Park. These BTR deals beefed up investment volume figures for Q2, with a total of £2.4 billion being traded across the living sector. This is made up of £137mn in PBSA and £0.5bn in Healthcare.

Dynamics - Set against this record amount of investment into the space, the multi-family pipeline looks more sobering. Funding for new development has fallen significantly. Forward funding, forward purchases and land acquisitions are only a fraction of what we've seen on average over the past three years. We are also seeing declines at the planning stage, with our analysis of the overall planning pipeline showing housing applications declining by 54% in H1 2026 relative to H1 2025 in London, and 63% across major regional cities.

Outlook –Viability issues persist for BTR development, and the introduction of the Building Safety Levy from the 1st October will add further cost, though it may pull applications forward into Q3. Looking ahead, the stock of stabilised, income producing assets will grow more slowly, with greater amounts of capital competing of it.

BAROMETER DEAL

L&Q Metra Platform

Yield – TBC

Price – £1.05 billion

Status – Sold

Comments – One of the largest BTR deals on record

Russell Hefferan
Head of Student Investment
Email me

PBSA

Market trends – following a busy Q1, during which over £2bn of assets were traded, transaction activity slowed in Q2. We tracked just over £137m of transactions in Q2, with the majority being operational assets and a handful of site sales. Whilst transactional volumes in Q1 were largely driven by the Empiric portfolio sale, Q2 has seen a large decrease on any previous Q2s that we have tracked over the past 8years.

Dynamics – investors have adopted a slightly more cautious stance due to the ongoing geopolitical uncertainty and challenging capital market conditions. Elevated gilt yields have maintained pressure on pricing and investment yields. This has limited the pool of available stock as some vendors put disposals on hold to wait and see if the money markets settle. Investors have become increasingly selective, with heightened focus on micro-market demand and supply.

Outlook –PBSA yields are broadly stable, following an outward movement over the previous 12 months. Operational performance across the sector has continued to remain dominant but some repricing has been evident among secondary assets and schemes in less established student markets.

BAROMETER DEAL

Three Tuns, Durham

Yield – TBC

Price - £39mn

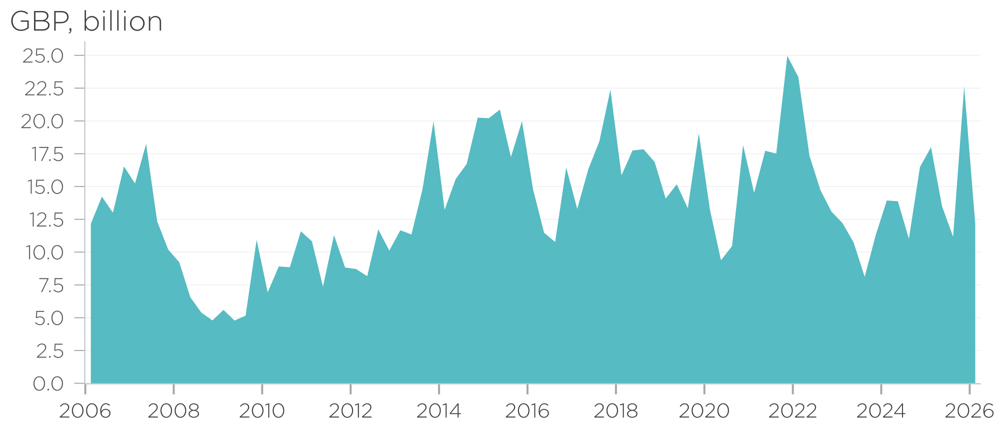
Status – Sold

Comments – 178 beds (£169k per bed)

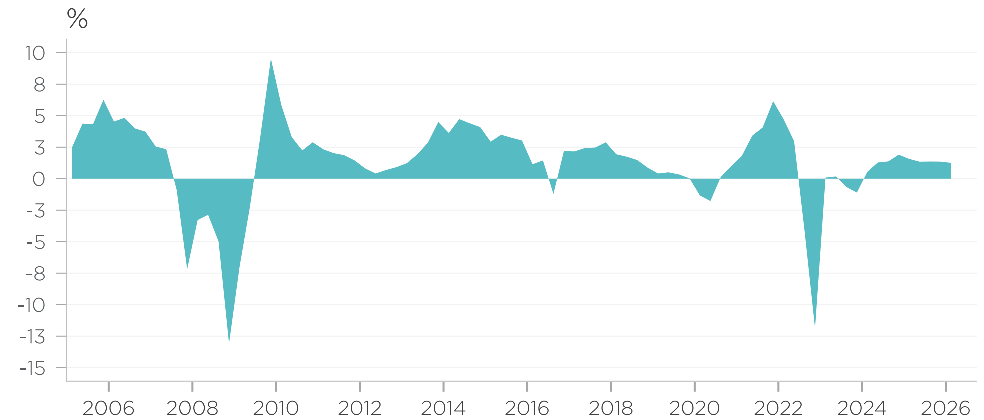
MARKET STATISTICS

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

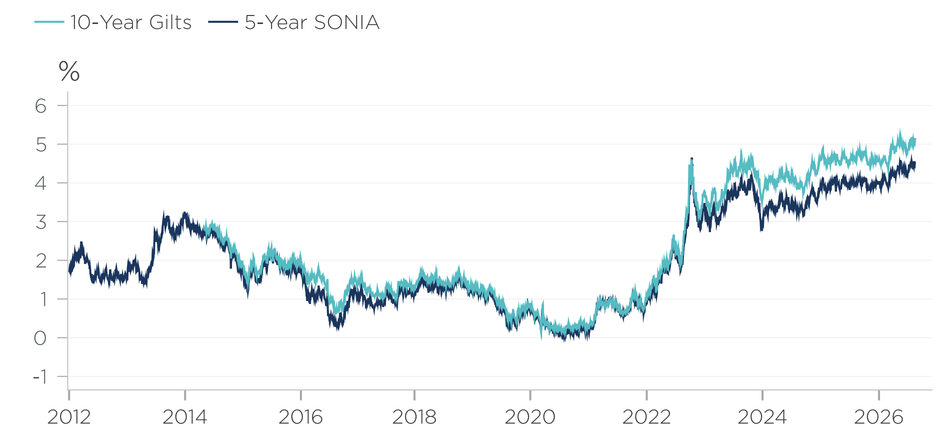
QUARTERLY INVESTMENT VOLUMES (BILLIONS)



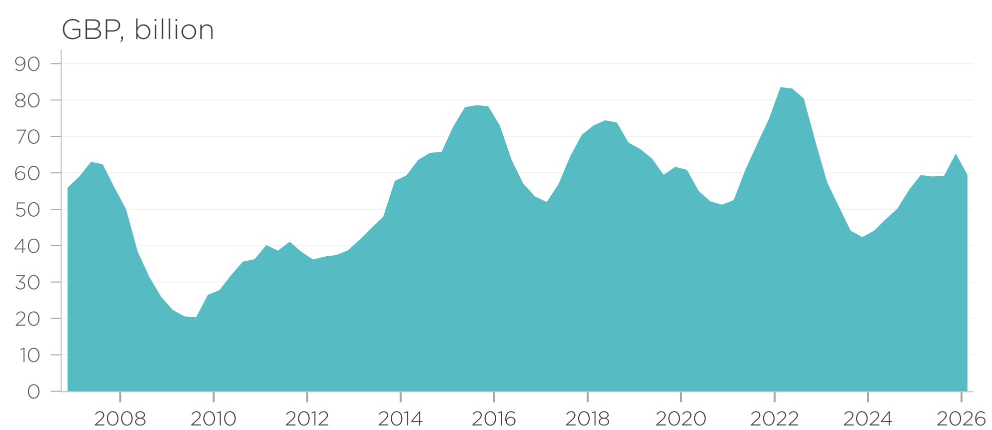
TOTAL RETURNS (%)



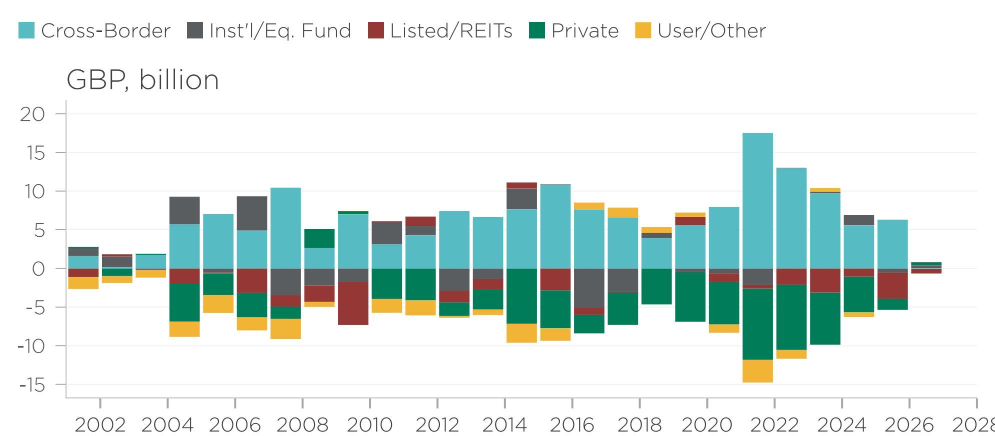
10 YEAR GILTS, 5 YEAR SONIA



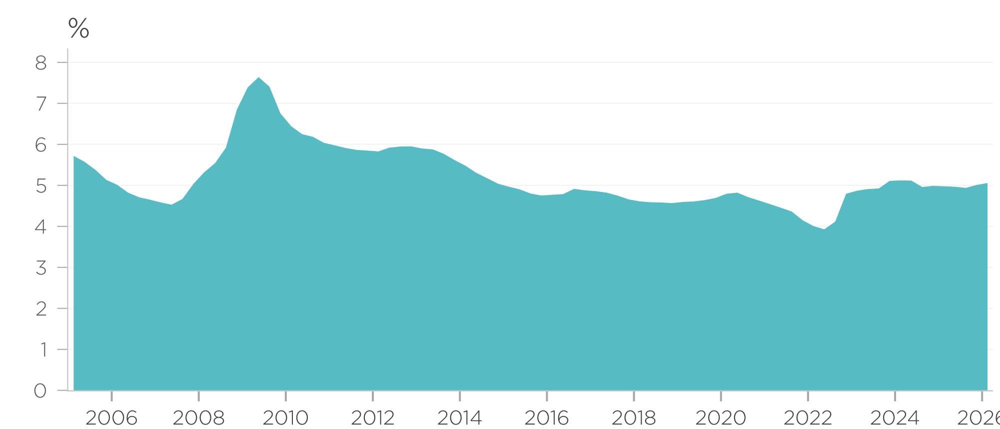
ROLLING ANNUAL INVESTMENT VOLUME (BILLIONS)



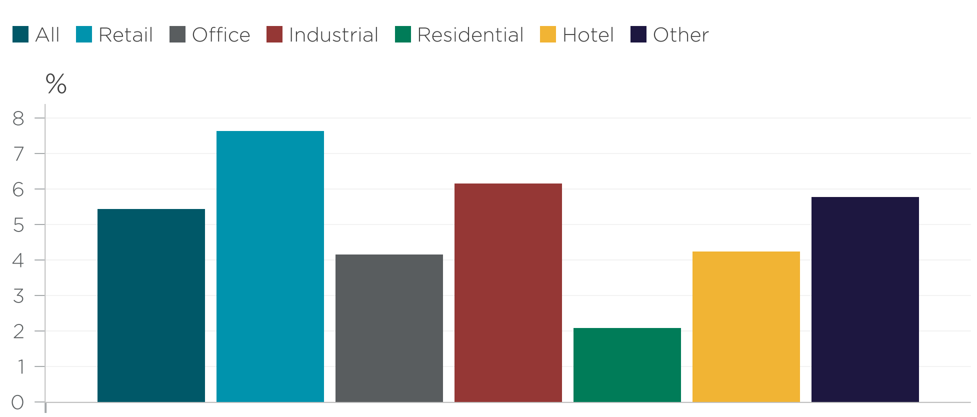
SOURCES OF CAPITAL



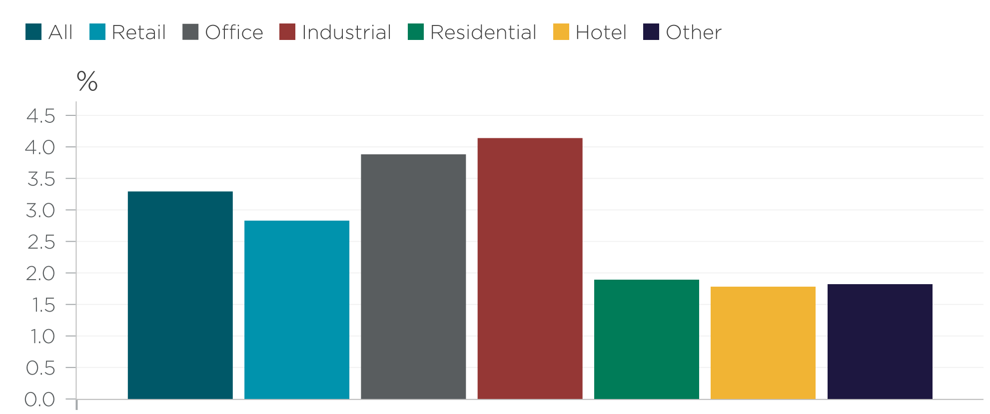
NET INITIAL YIELDS



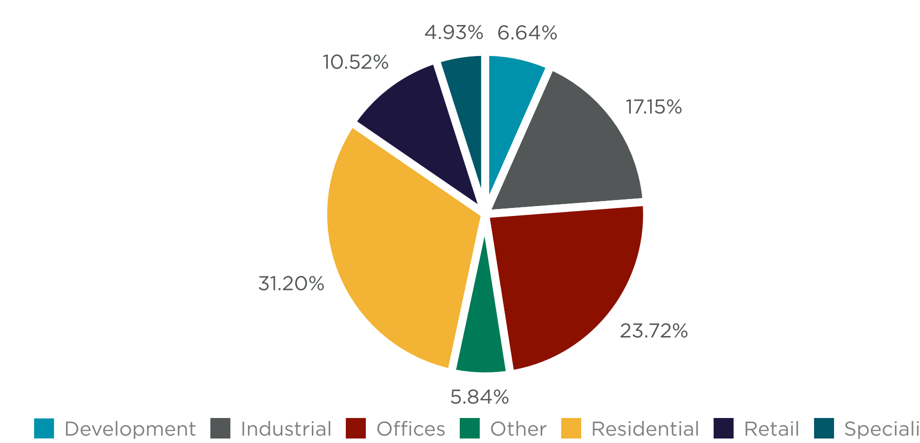
ANNUAL TOTAL RETURN BY SECTOR



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	August 26	Q2 26	July 26	August 26		Q-to-Q		Outlook
Town Centre Retail								
Prime Retail Centres	6.50%	6.50%	6.50%	6.50%	0 bps	0 bps	0 bps	Outwards
Secondary Retail Centres	10.00%	10.00%	10.00%	10.00%	0 bps	0 bps	0 bps	Outwards
Prime London - West End	3.00%	3.00%	3.00%	3.00%	0 bps	0 bps	0 bps	Outwards
Shopping Centres								
Regional	7.75%	7.75%	7.75%	7.75%	0 bps	0 bps	0 bps	Inwards
Sub-Regional	11.00%	11.00%	11.00%	11.00%	0 bps	0 bps	0 bps	Stable
Local	12.00%	12.00%	12.00%	12.00%	0 bps	0 bps	0 bps	Stable
Retail Warehouses (Greater London and SE in brackets)								
Prime Open A1 Retail Park	5.25%	5.00%	5.00%	5.00%	-25 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 Supermarkets **(RPI linked)**	4.65%	4.65%	4.65%	4.65%	0 bps	0 bps	0 bps	Stable
Prime Solus (Bulky)	5.75%	5.75%	5.75%	5.75%	0 bps	0 bps	0 bps	Outwards
Prime Leisure Parks	8.25%	8.50%	8.50%	8.50%	25 bps	0 bps	0 bps	Outwards
Multi-Let Industrial								
Prime Greater London	4.75%	4.75%	4.75%	4.75%	0 bps	0 bps	0 bps	Outwards
Prime South East	5.00%	5.00%	5.00%	5.00%	0 bps	0 bps	0 bps	Outwards
Prime Regional	5.25%	5.25%	5.25%	5.25%	0 bps	0 bps	0 bps	Outwards
Distribution Warehousing								
Prime Long Income	5.00%	5.00%	5.00%	5.00%	0 bps	0 bps	0 bps	Outwards
Prime Medium Income	5.50%	5.50%	5.50%	5.50%	0 bps	0 bps	0 bps	Outwards
Prime Short Income	5.75%	5.75%	5.75%	5.75%	0 bps	0 bps	0 bps	Outwards
In Town Offices								
Greater London	6.75%	6.75%	6.75%	6.75%	0 bps	0 bps	0 bps	Stable
Prime City Offices	5.50%	5.50%	5.50%	5.50%	0 bps	0 bps	0 bps	Stable
Prime West End Offices	3.75%	3.75%	3.75%	3.75%	0 bps	0 bps	0 bps	Stable
Prime M25	7.00%	7.00%	7.00%	7.00%	0 bps	0 bps	0 bps	Stable
Prime Regional	6.50%	6.50%	6.50%	6.50%	0 bps	0 bps	0 bps	Stable
Out of Town Offices								
Prime South East	8.00%	8.00%	8.00%	8.00%	0 bps	0 bps	0 bps	Stable
Prime Regional	9.00%	9.00%	9.00%	9.00%	0 bps	0 bps	0 bps	Stable

Sector	Previous Year	Previous Quarter	Previous month	Present	Annual Change (bps)	Quarterly Change (bps)	Monthly Change (bps)	
Sector	August 26	Q2 26	July 26	August 26		Q-to-Q		Outlook
Co-living								
Greater London	4.50%	5.00%	5.00%	5.00%	50 bps	25 bps	0 bps	Stable
Prime Regional	5.00%	5.50%	5.50%	5.50%	50 bps	25 bps	0 bps	Stable
Build to Rent								
Prime London	4.00%	4.50%	4.50%	4.50%	50 bps	0 bps	0 bps	Stable
Greater London	4.50%	4.75%	4.75%	4.75%	25 bps	25 bps	0 bps	Outwards
Prime Regional	4.75%	5.00%	5.00%	5.00%	25 bps	25 bps	0 bps	Outwards
Hotels								
Prime London Fixed Income	4.25%	4.25%	4.25%	4.25%	0 bps	0 bps	0 bps	Stable
Prime Regional Fixed Income	5.00%	5.00%	5.00%	5.00%	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 Regional Tradting	8.00%	8.00%	8.00%	8.00%	0 bps	0 bps	0 bps	Stable
Life Sciences								
Golden Triangle	5.00%	5.00%	5.00%	5.00%	0 bps	0 bps	0 bps	Outwards
Regional Centres	6.25%	6.50%	6.50%	6.50%	25 bps	0 bps	0 bps	Outwards
Care Homes								
Prime	4.75%	4.75%	4.75%	4.75%	0 bps	0 bps	0 bps	Stable
Prime SPV	5.75%	5.75%	5.75%	5.75%	0 bps	0 bps	0 bps	Stable
Medical								
Prime	4.50%	4.50%	4.50%	4.50%	0 bps	0 bps	0 bps	Stable
Secondary	5.75%	5.75%	5.75%	5.75%	0 bps	0 bps	0 bps	Stable
Student Accommodation								
Prime London	4.25%	4.75%	4.75%	4.75%	50 bps	0 bps	0 bps	Stable
Greater London	4.75%	5.25%	5.25%	5.25%	50 bps	0 bps	0 bps	Stable
Super Prime Regional	5.25%	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	Stable
Self Storage								
Primary	4.75%	4.75%	4.75%	4.75%	0 bps	0 bps	0 bps	Stable
Secondary	6.00%	6.00%	6.00%	6.00%	0 bps	0 bps	0 bps	Stable
Single Family Homes								
South East	4.25%	4.25%	4.25%	4.25%	0 bps	0 bps	0 bps	Outwards
Regional	4.75%	4.75%	4.75%	4.75%	0 bps	0 bps	0 bps	Stable

CUSHMAN & WAKEFIELD

MARKETBEAT INVESTMENT

AUGUST 2026

JASON WINFIELD
Head of UK Capital Markets
jason.winfield@cushwake.com

TOM NUTTALL
Head of UK Valuation & Advisory
tom.nuttall@cushwake.com

DARYL PERRY
Head of UK Research & Insight
daryl.perry@cushwake.com

Better never settles