MSCI / IPF UK Quarterly Market Results for Q1 2026

MSCI UK QUARTERLY PROPERTY INDEX

12th May 2026

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Introduction Remarks

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12th May 2026

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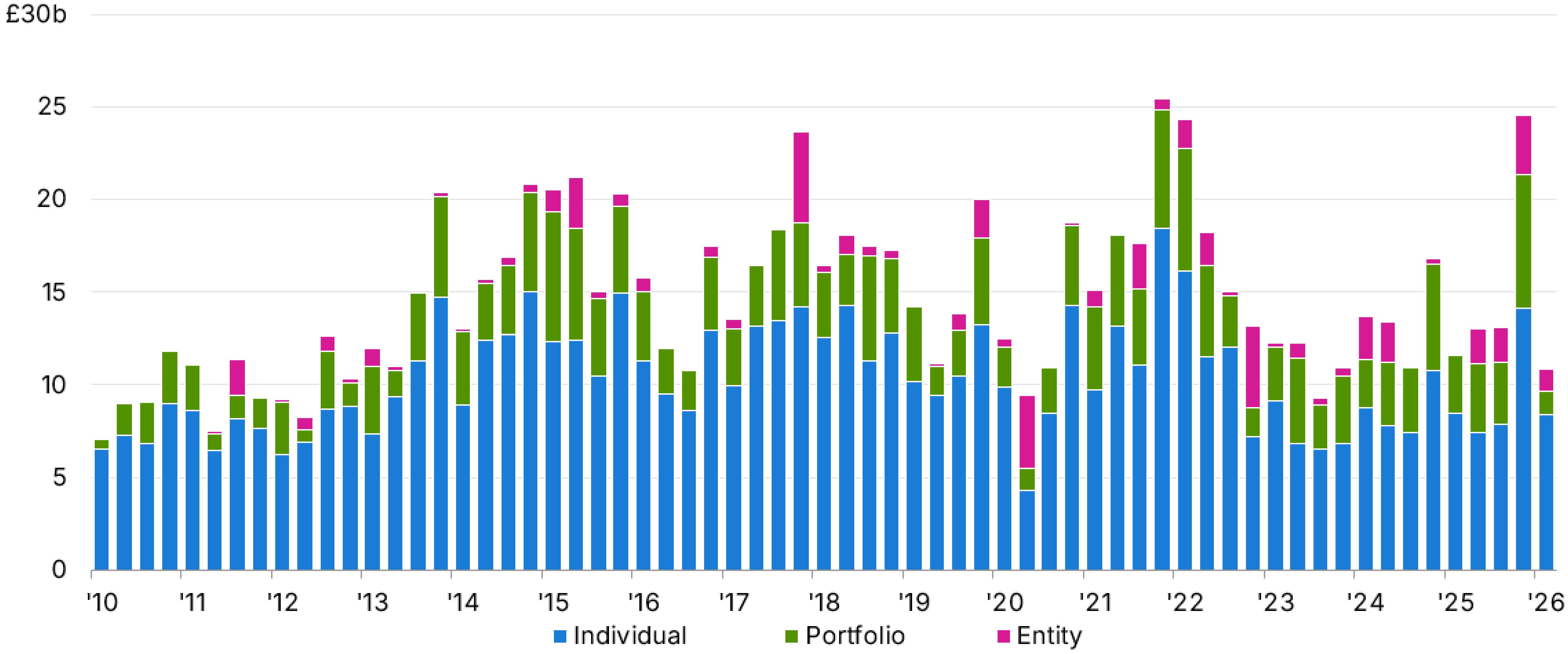
Quarterly UK Transaction Volumes £

By entity type



Source: MSCI RCA

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Most Active Markets by property type in UK – 2026 YTD

OFFICE

MARKET	SALES VOLUME (£M)	£M	YOY CHANGE
West End		666	-23%
City of London		576	-35%
Inner London		327	240...
Manchester		144	+382%
Midtown		95	-58%

INDUSTRIAL

MARKET	SALES VOLUME (£M)	£M	YOY CHANGE
Outer London		401	+410%
Southeast Other		250	-27%
Manchester		179	+58%
East of England Other		137	-57%
Midlands Other		131	+136%

RETAIL

MARKET	SALES VOLUME (£M)	£M	YOY CHANGE
Birmingham		310	+713%
Newcastle		116	—
Outer London		106	-14%
Yorkshire/NE Other		94	+11%
City of London		78	—

APARTMENT

MARKET	SALES VOLUME (£M)	£M	YOY CHANGE
Outer London		576	-22%
Reading		268	—
Southeast Other		191	+287%
East of England Other		161	+360%
Southwest Other		146	+83%

HOTEL

MARKET	SALES VOLUME (£M)	£M	YOY CHANGE
West End		530	+1299%
Midtown		220	+1813%
Inner London		172	—
Manchester		58	—
Leeds		46	—

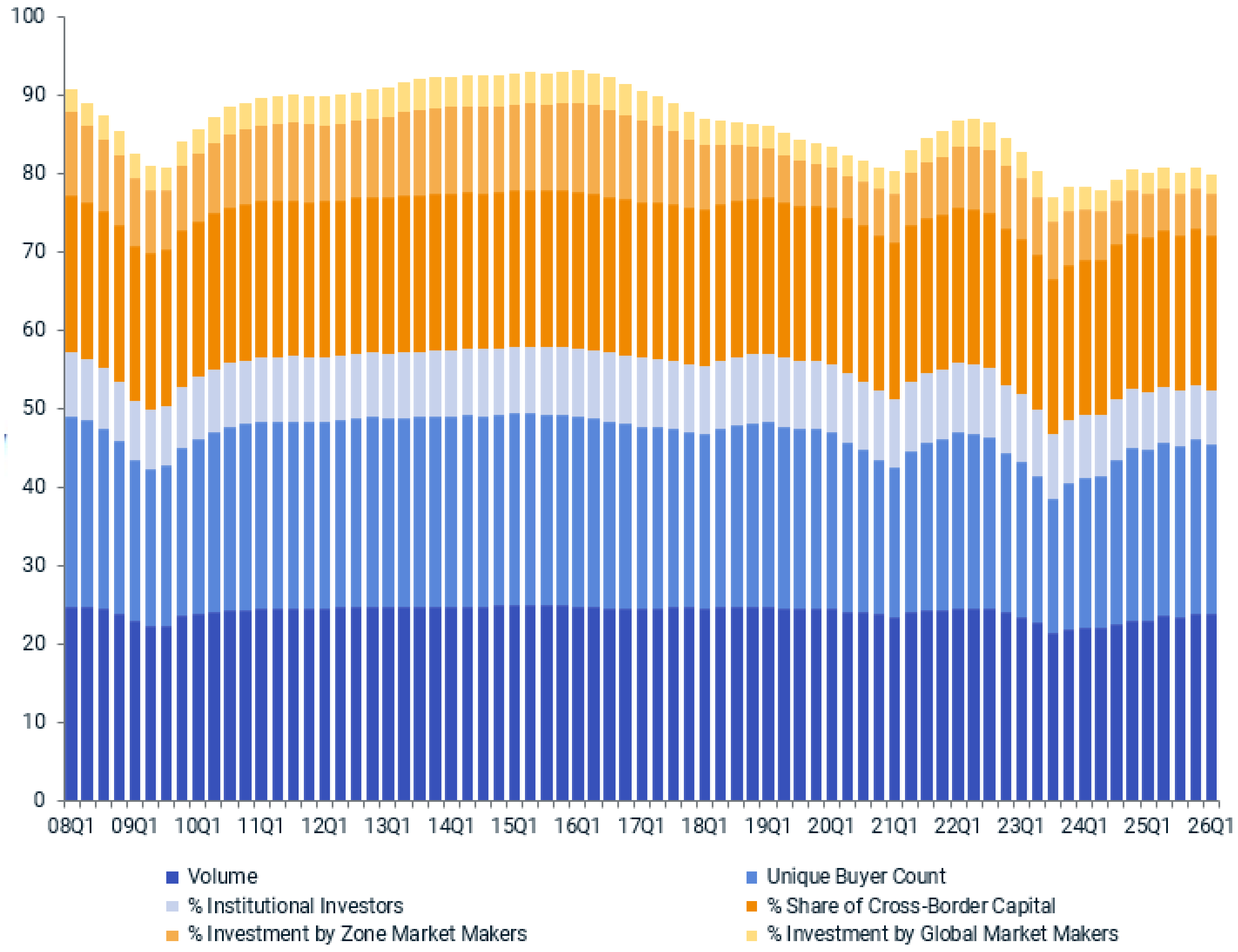
DEV SITE

MARKET	SALES VOLUME (£M)	£M	YOY CHANGE
East of England Other		98	—
Outer London		92	—
East Midland Other		89	—
Manchester		71	—
Nottingham		60	—

Source: MSCI RCA

Liquidity Scores – Central London

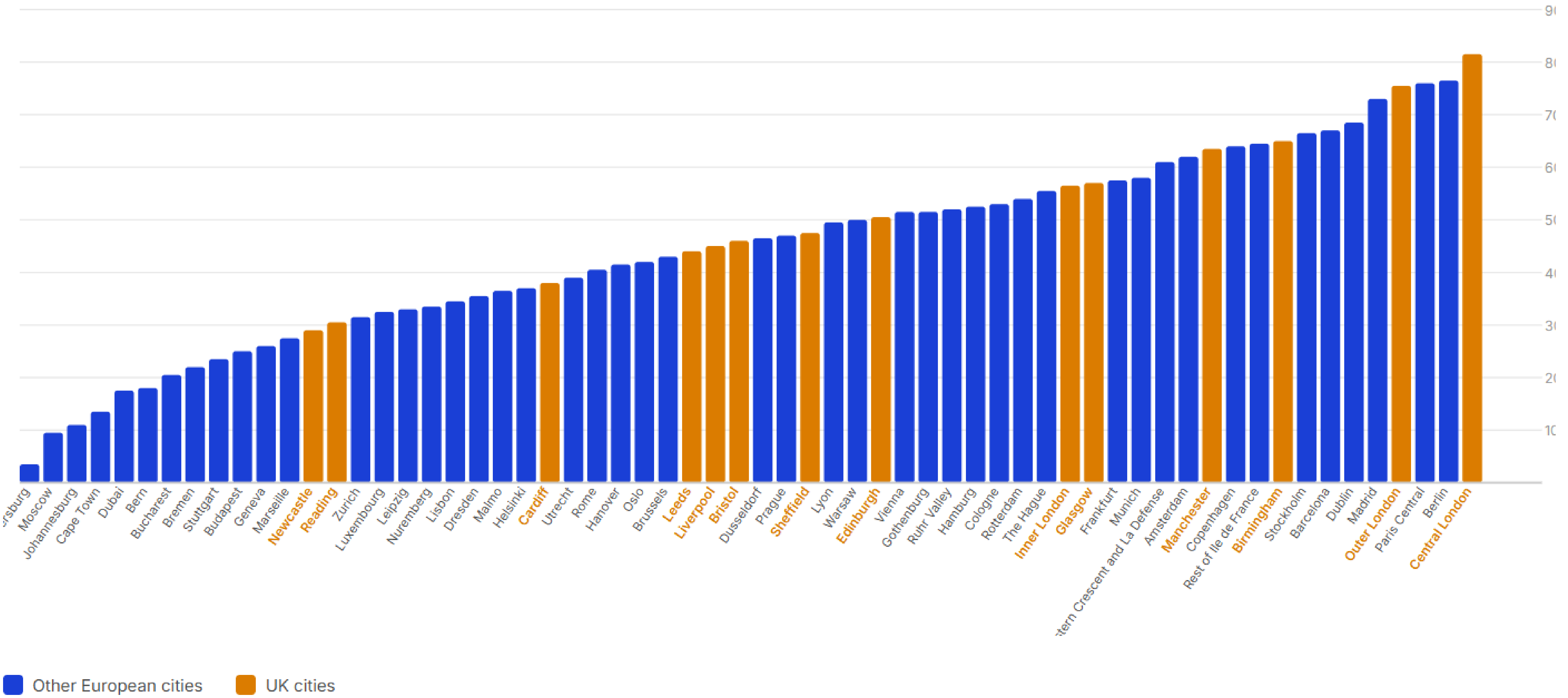
Liquidity score since Q1 2008



Source: MSCI RCA

Liquidity across Europe – where do UK Cities place?

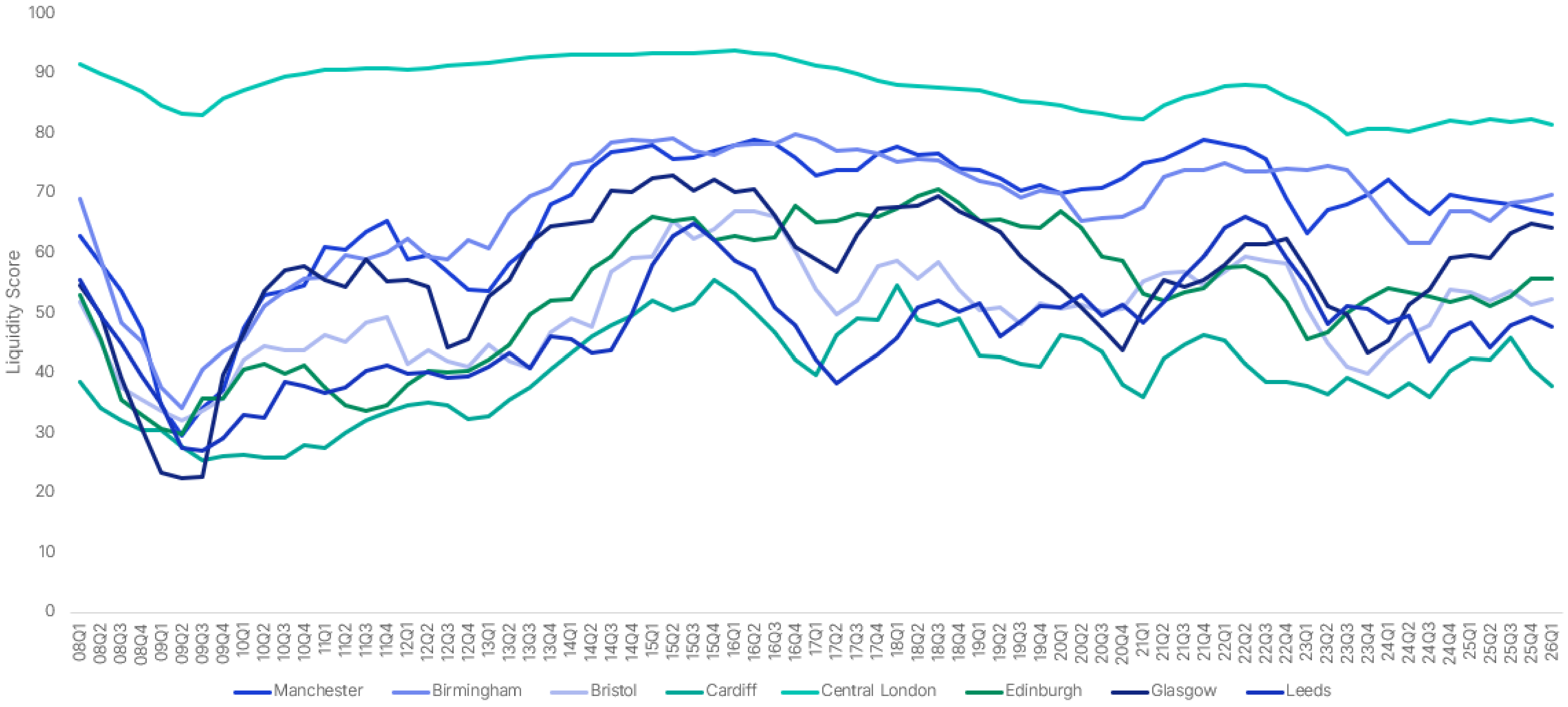
Data as at March 2026



Source: MSCI. Europe. Residential Capital Liquidity Scores.

Liquidity across Cities – United Kingdom

Liquidity scores by major conurbation



Source: MSCI RCA

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MSCI UK Quarterly Property Index Q1 2026

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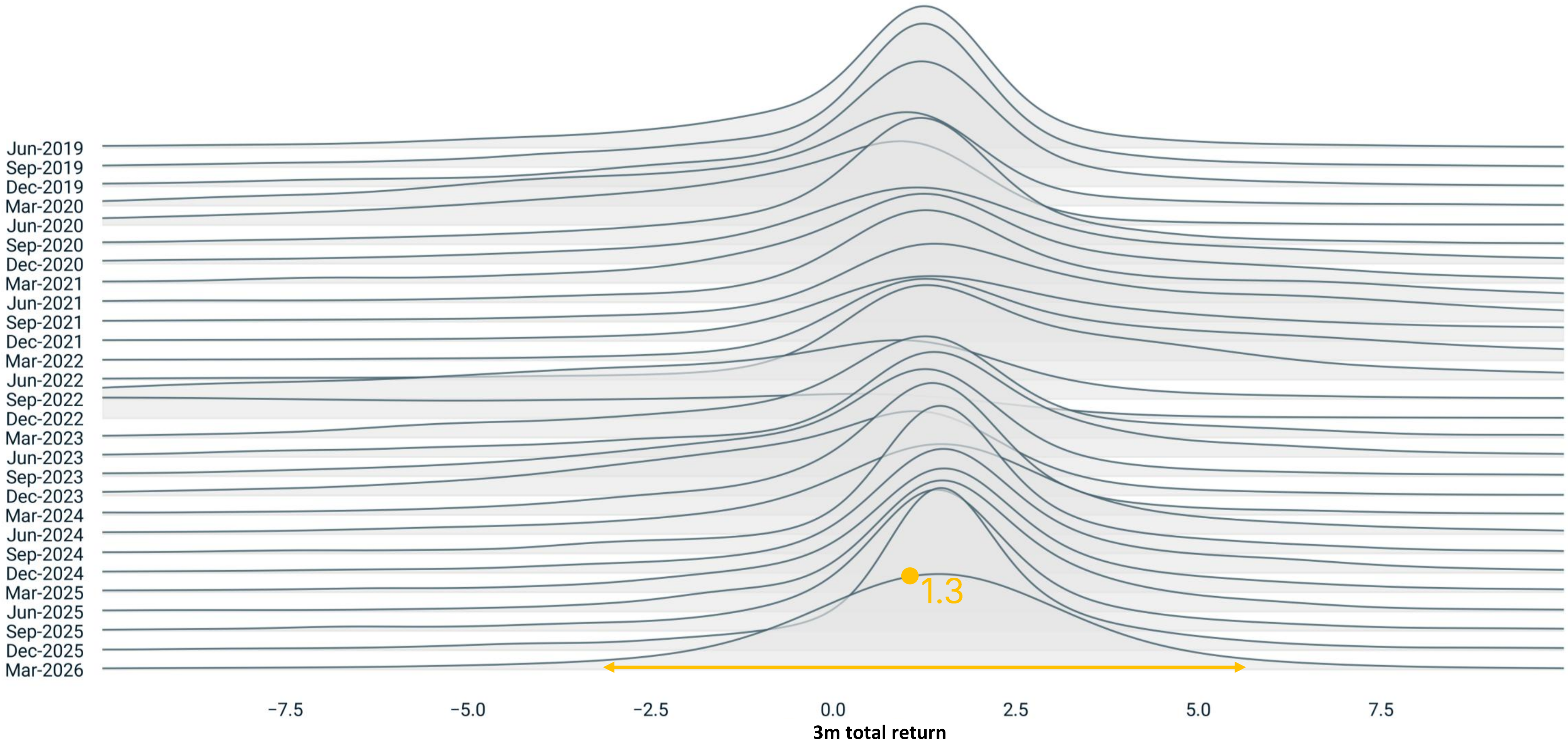
Spread in returns significantly widened in Q1 2026

DISTRIBUTION OF PROPERTY LEVEL QUARTERLY TOTAL RETURN FROM 2019, ALL PROPERTY

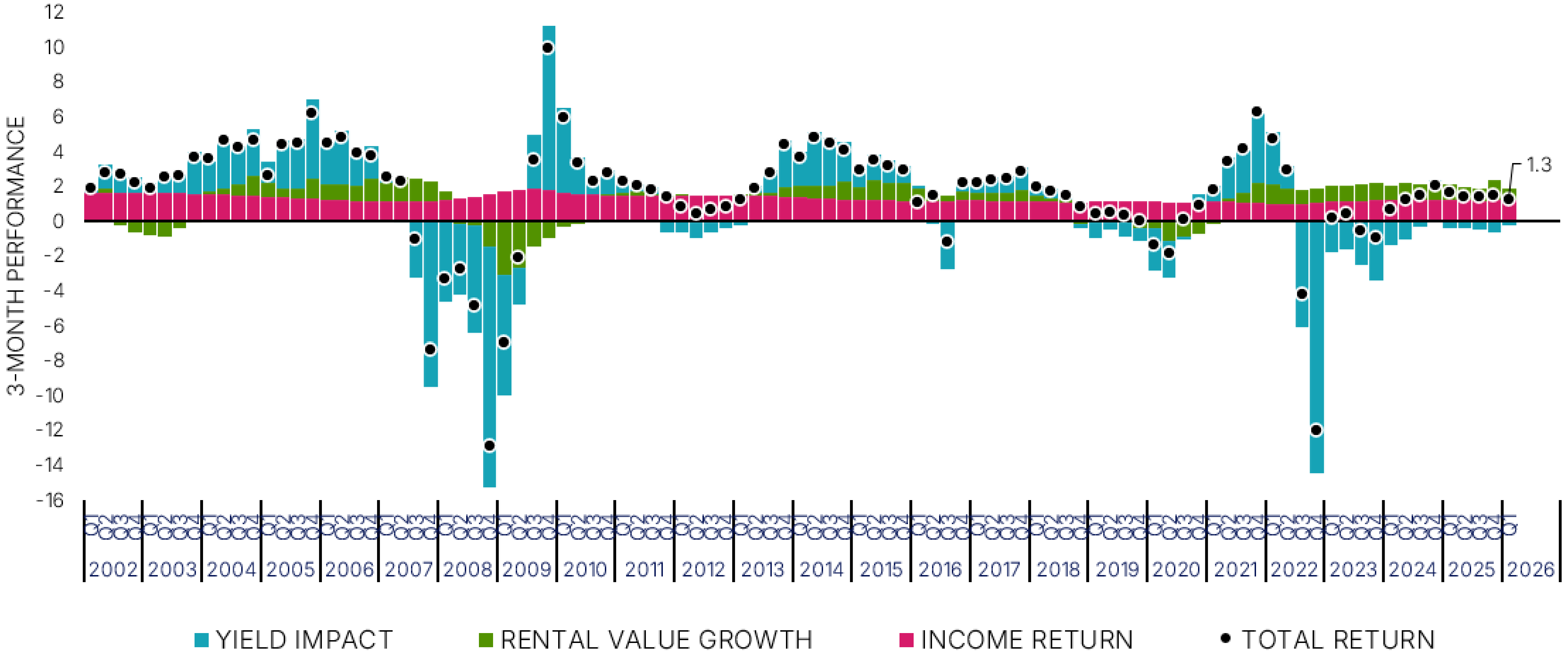


Source: MSCI UK Quarterly Property index

Stable performance over last 9 quarters

MSCI UK Quarterly Index quarterly performance - March 2002 to March 2026

Returns split between market rental value growth & yield impact - Standing Investment

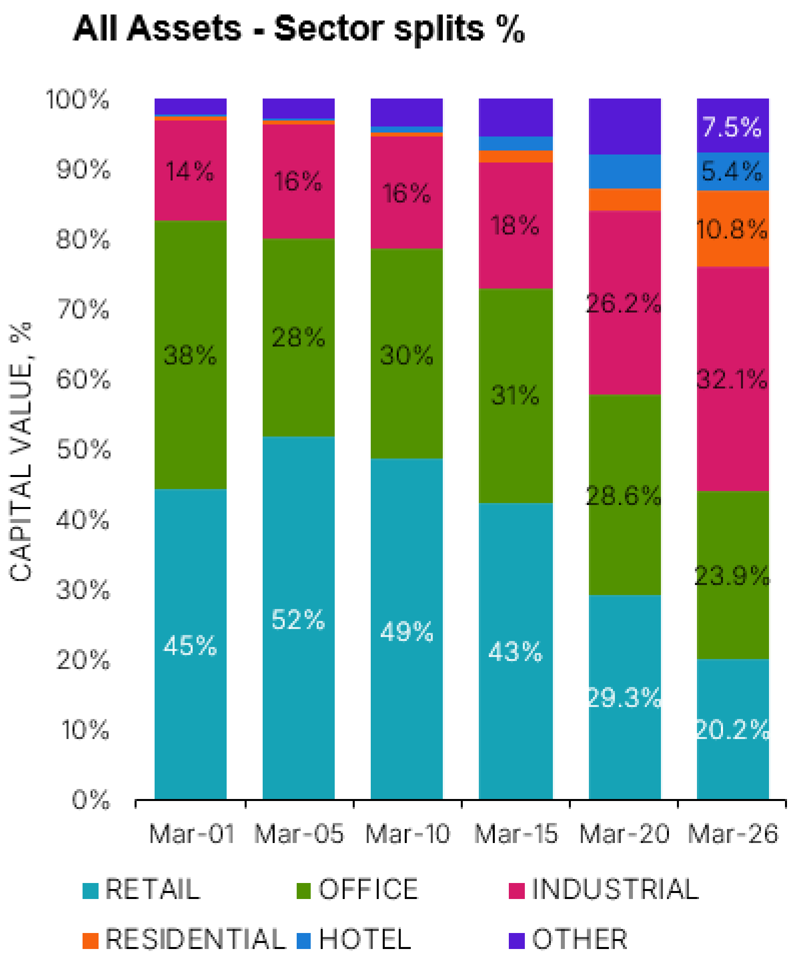


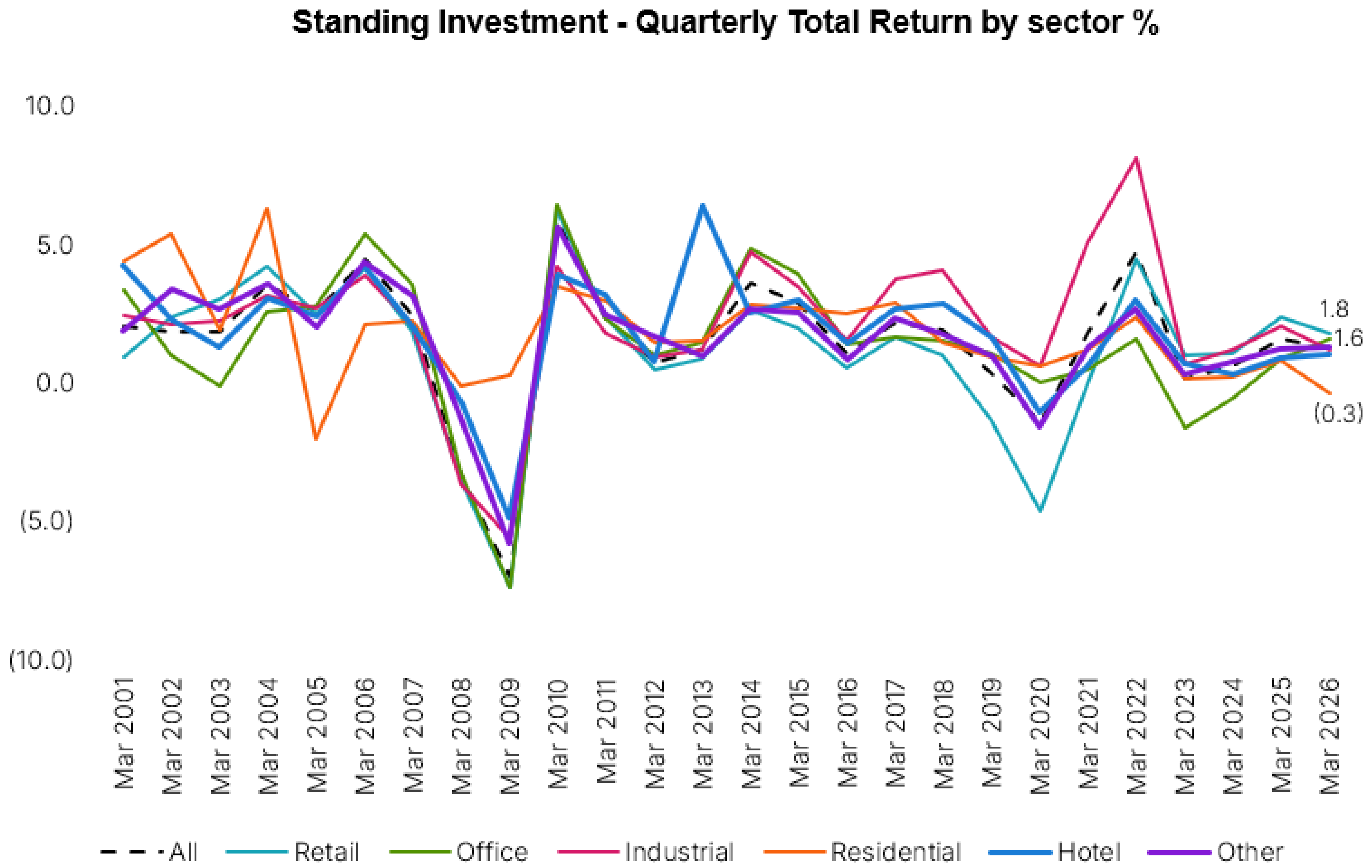
Source: MSCI Real Assets Index Intel

MSCI Source: MSCI UK Quarterly Property index

Office and Residential switch positions

MSCI UK Quarterly Profile & Performance to March 2026





Source: MSCI Real Assets Index Intel

Healthcare comes out as top sector in the quarter

Standing Investment 3 and 12 month Total returns

TOTAL RETURNS BY PROPERTY TYPE

	3-MONTH TOTAL RETURNS (%)	12-MONTH TOTAL RETURNS (%)
ALL PROPERTY	1.3	5.6
RETAIL	1.8	7.8
Standard Retail - South East	1.9	7.5
Shopping Centres	1.8	8.9
Retail Warehouses	1.8	7.3
Supermarkets	1.6	8.7
Standard Retail - Rest of UK	1.6	6.6
Office	1.6	4.3
Offices - West End	2.1	6.6
Offices - Rest of South East	1.7	1.5
Offices - Rest of UK	1.3	3.3
Offices - City	0.8	3.8
Industrial	1.2	6.3
Distribution Warehouse - Rest of UK	1.5	7.5
Distribution Warehouse - South East	1.3	6.2
Standard Industrial - South East	1.0	4.7
Standard Industrial - Rest of UK	0.7	7.7
Residential	-0.3	2.0
Student Accommodation	0.4	3.2
Residential excl. Student Accommodation	-1.2	0.7
Hotel	1.1	4.6
Leisure	1.6	5.7
Healthcare	1.9	7.0
Other Property	0.3	5.1

Sorted by 3-month total return

Source: MSCI Real Assets Index Intel.
Note: sorted by 3 month returns

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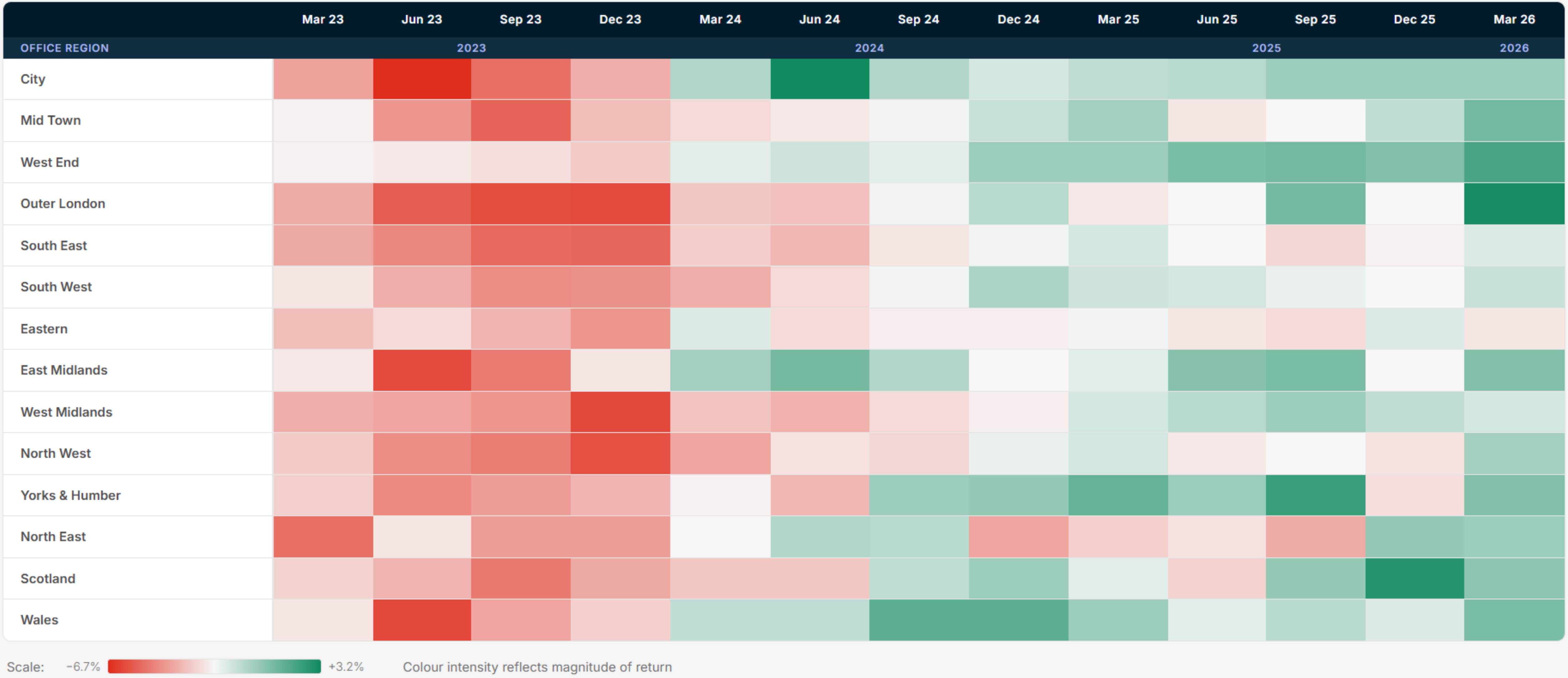
Total Return profile – Offices by region

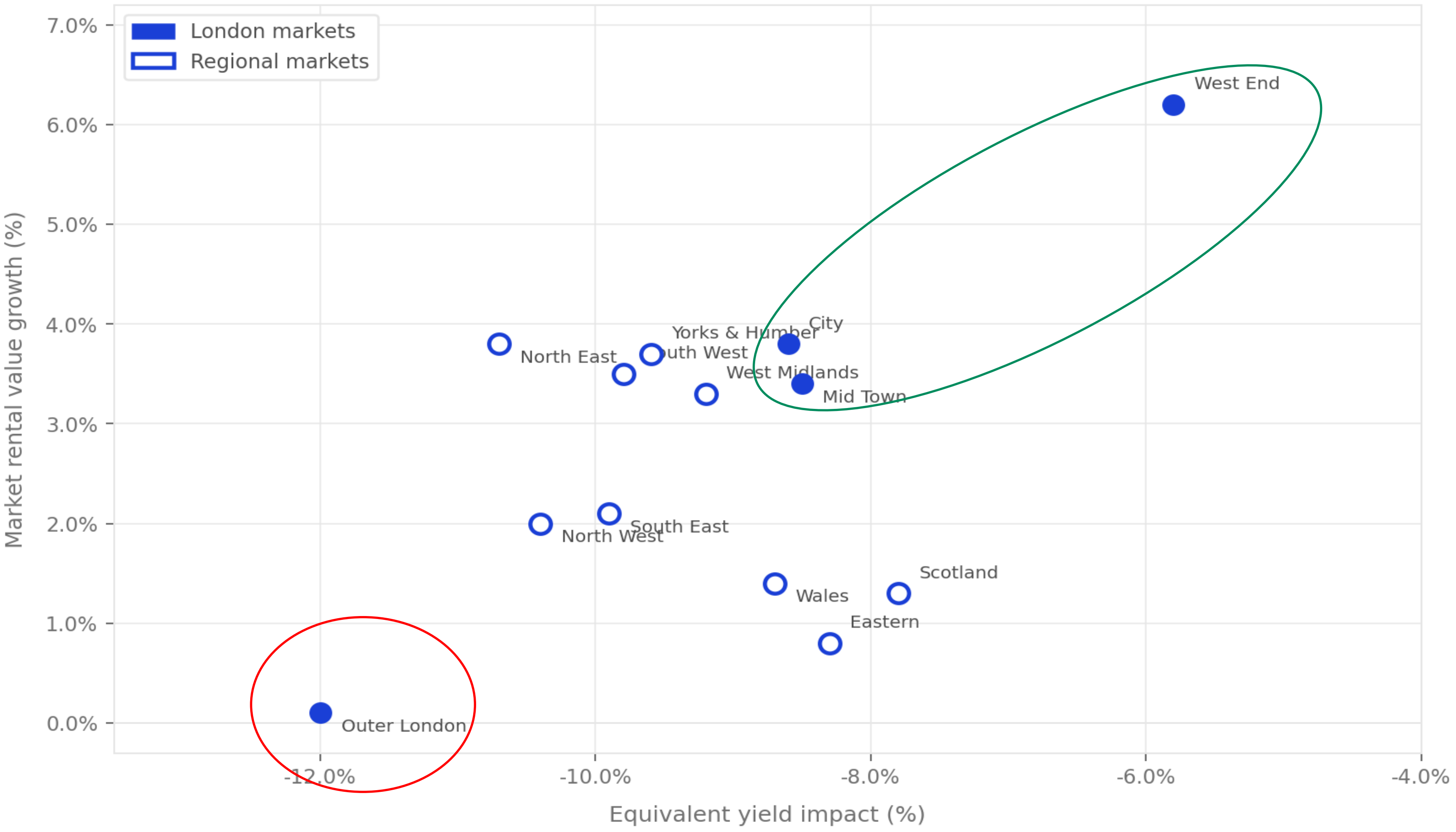
Total Return Quarterly



Source: MSCI. UK Office quarterly total returns by region.

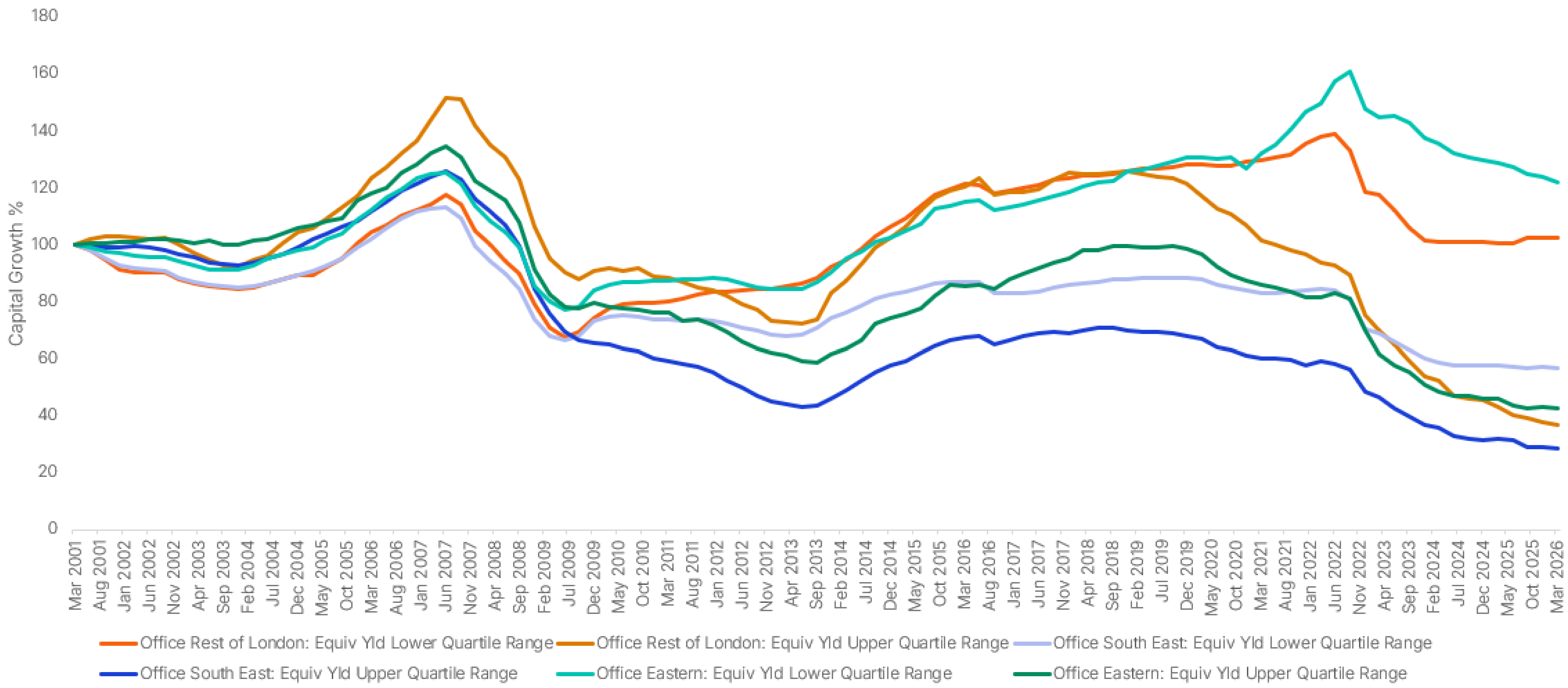
UK Offices: Yield Impact vs Rental Value Growth – Offices around the edge of London have had little to no rental growth

Last 3 years



Source: MSCI. Equivalent yield impact (%) vs market rental value growth (%). Filled = London markets; hollow = regional markets.

Offices - Capital Growth by yield band
Indexed to March 2001



Source: MSCI UK Quarterly Property index

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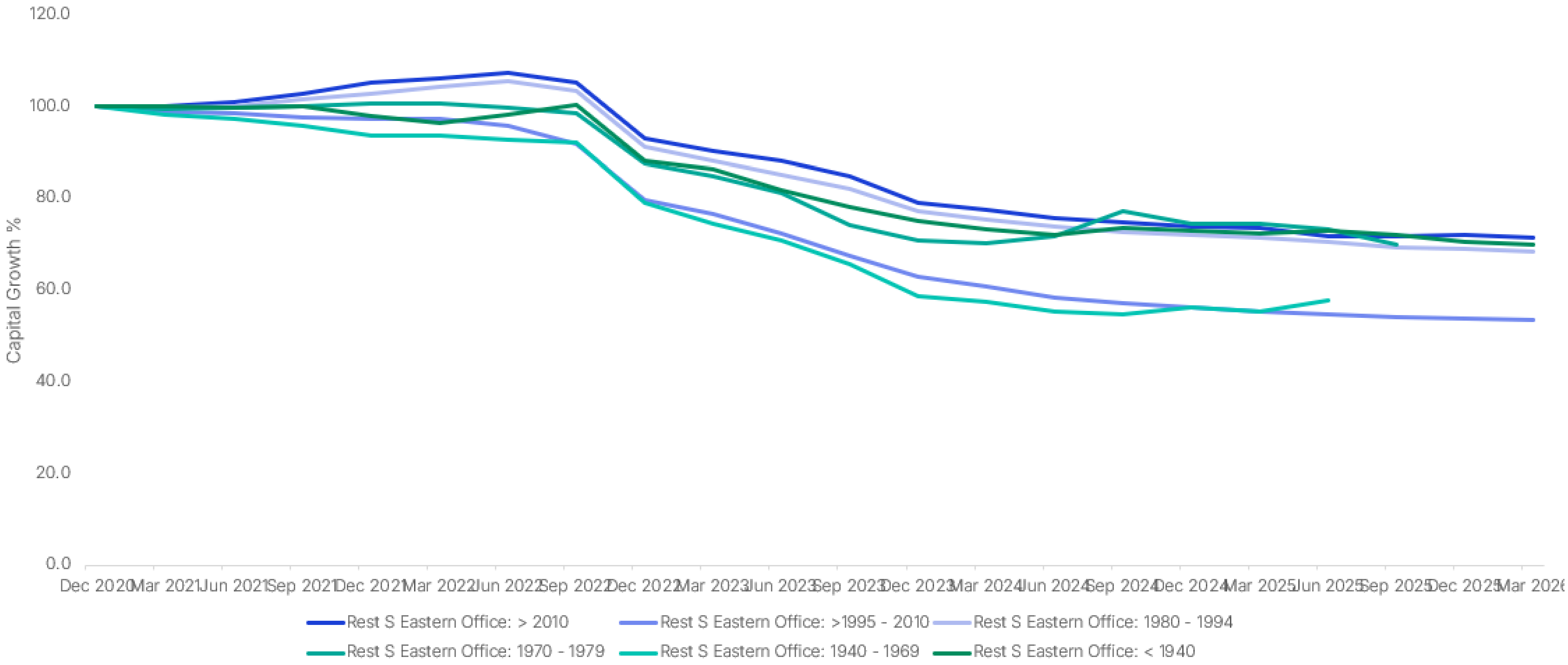
Portfolios seem to have shaken out some of the underperformers

Capital Growth by Age indexed from December 2019 to March 2026

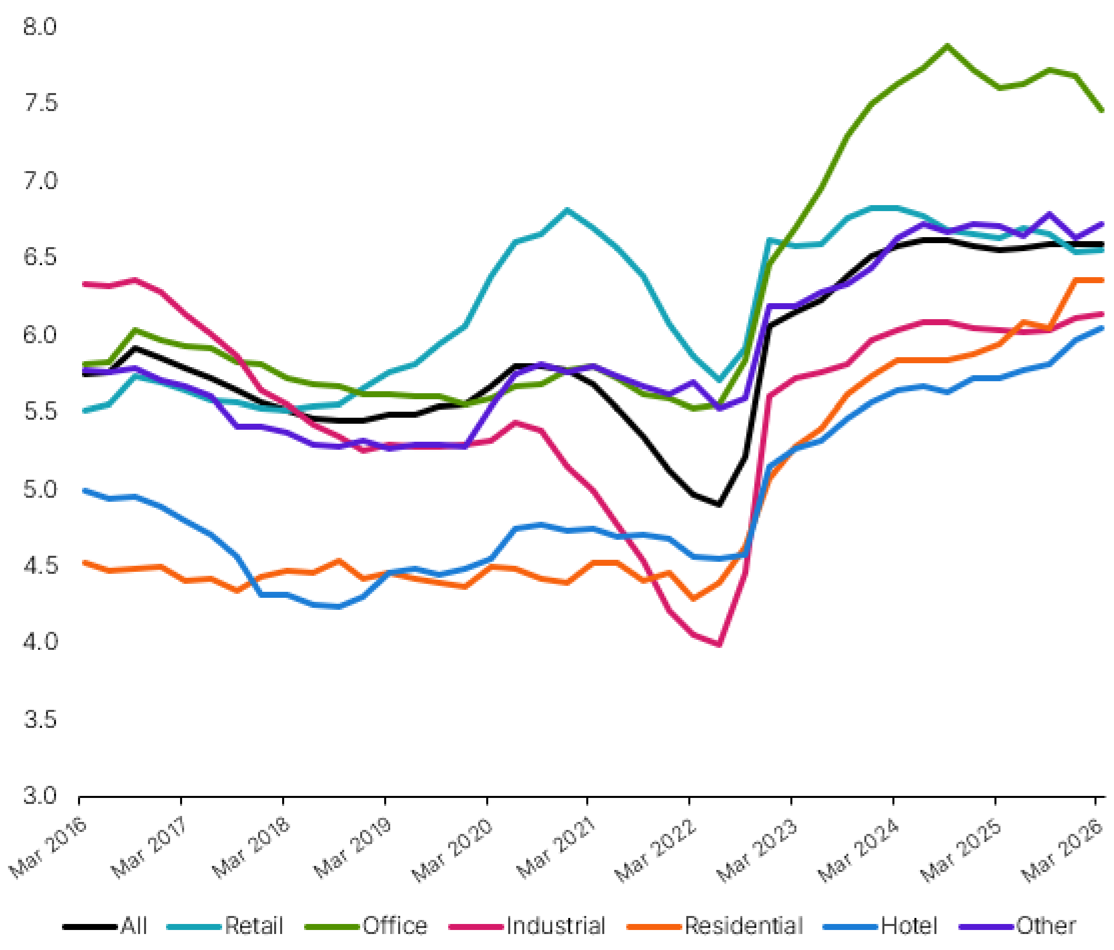


MSCI Source: MSCI UK Quarterly Property index

Yields beginning to stabilise at broad sector level

Equivalent yields by sector – Standing Investments

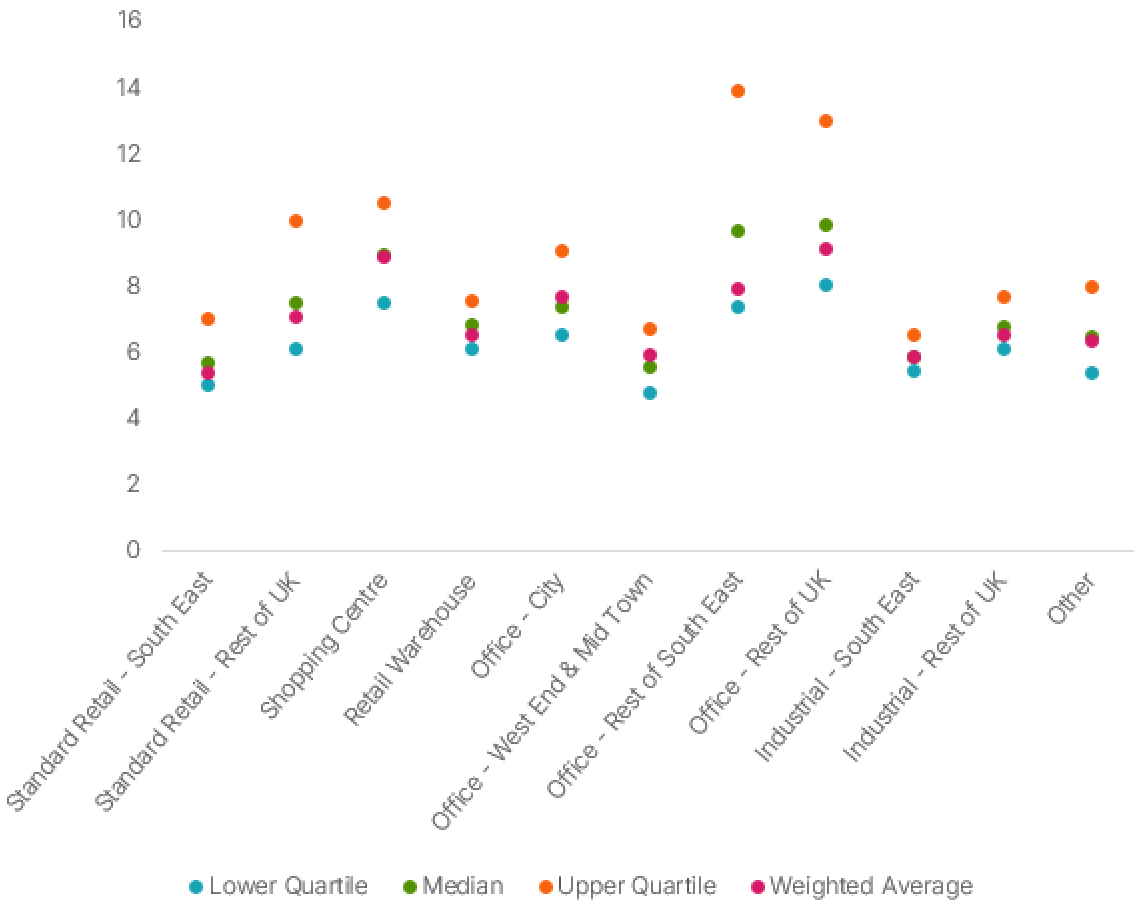
March 2016 – March 2026



Source: MSCI Real Assets index inter

Equivalent yield ranges – Standing Investments

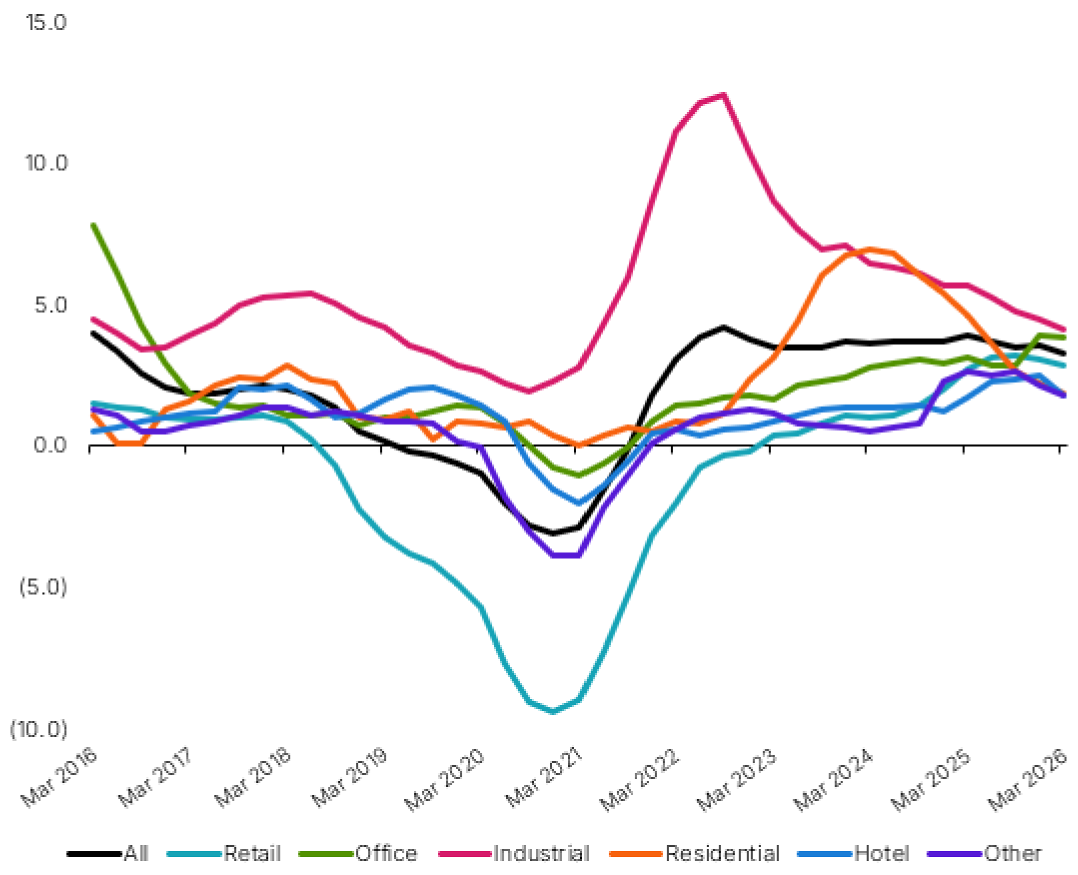
March 2026



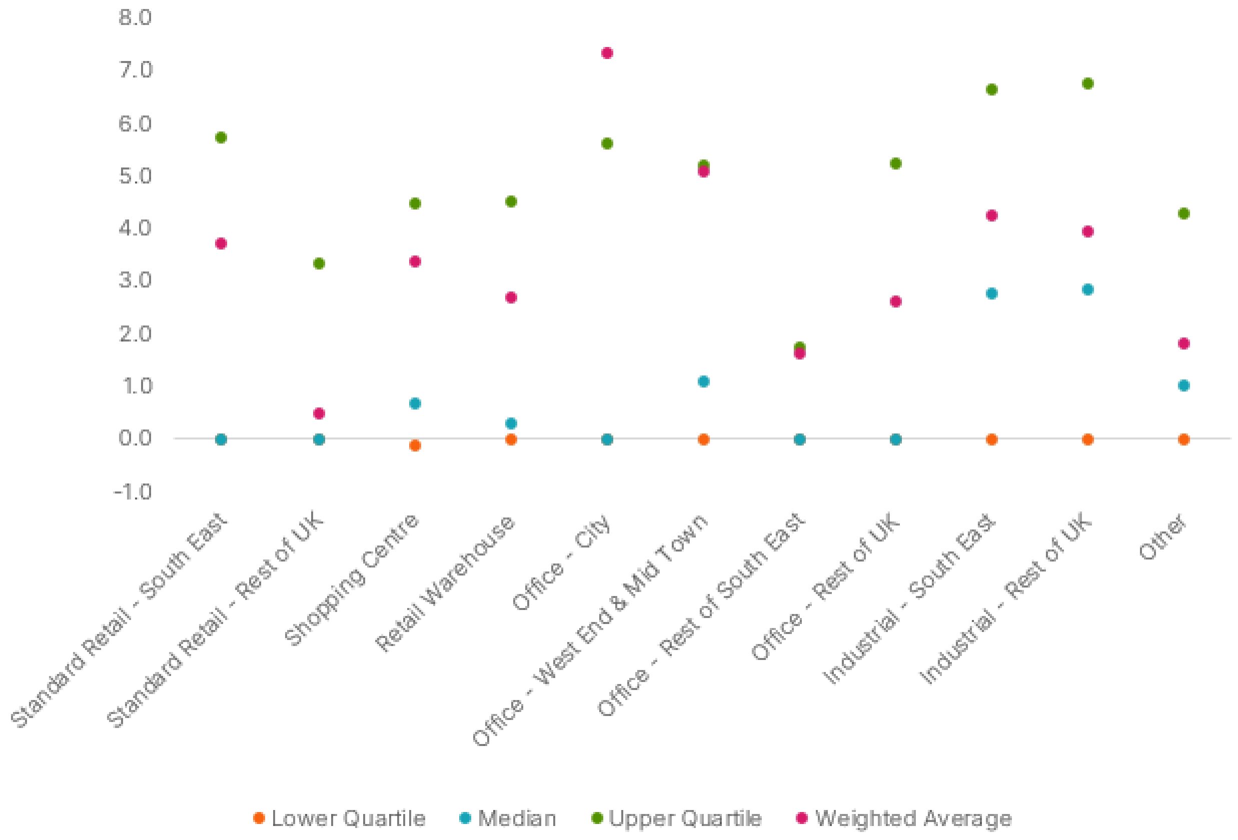
Source: MSCI UK Quarterly Property index

OMRV Growth still positive, but slowing…apart from offices

Annual OMRVG by sector - Standing Investments
March 2016 – March 2026



Annual OMRVG - Standing Investments
March 2026



Source: MSCI Real Assets Index Intel

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Focusing on residential

Standing Investment 3 and 12 month Total returns

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Sorted by 3-month total return

Source: MSCI Real Assets Index Intel.
Note: sorted by 3 month returns

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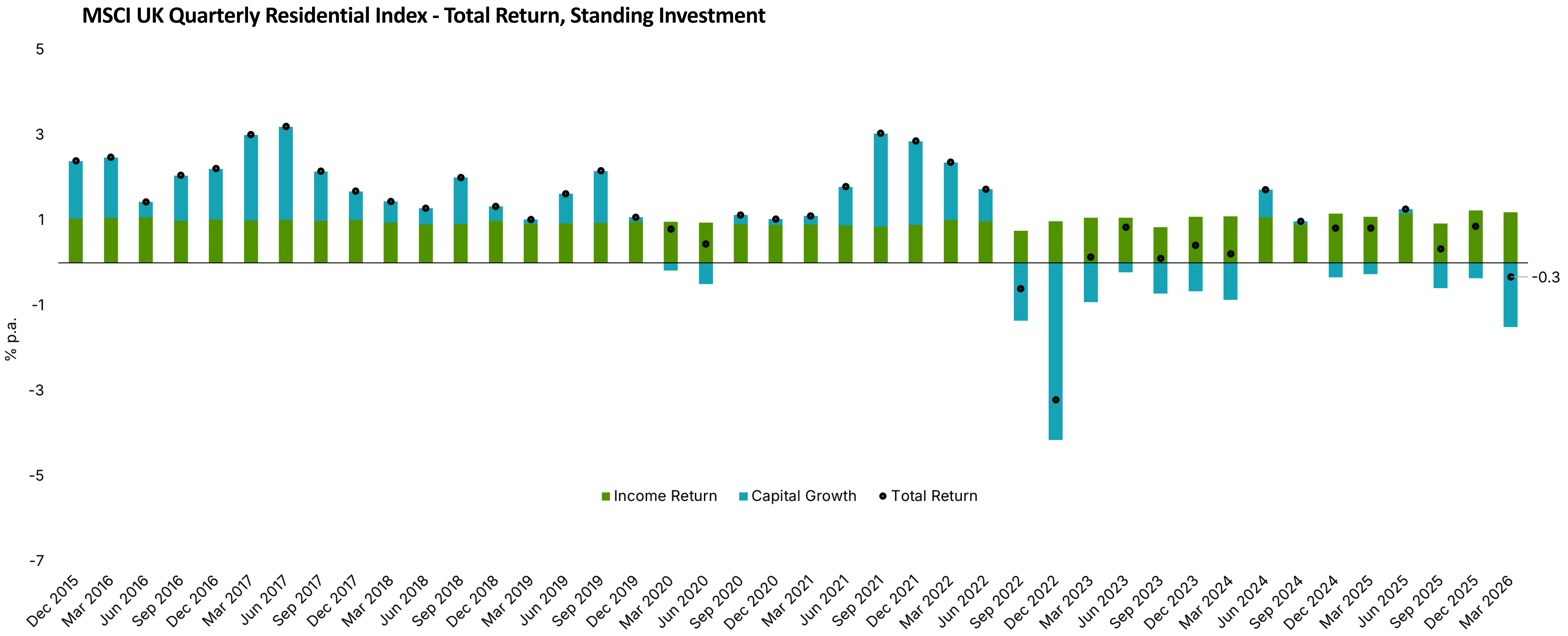
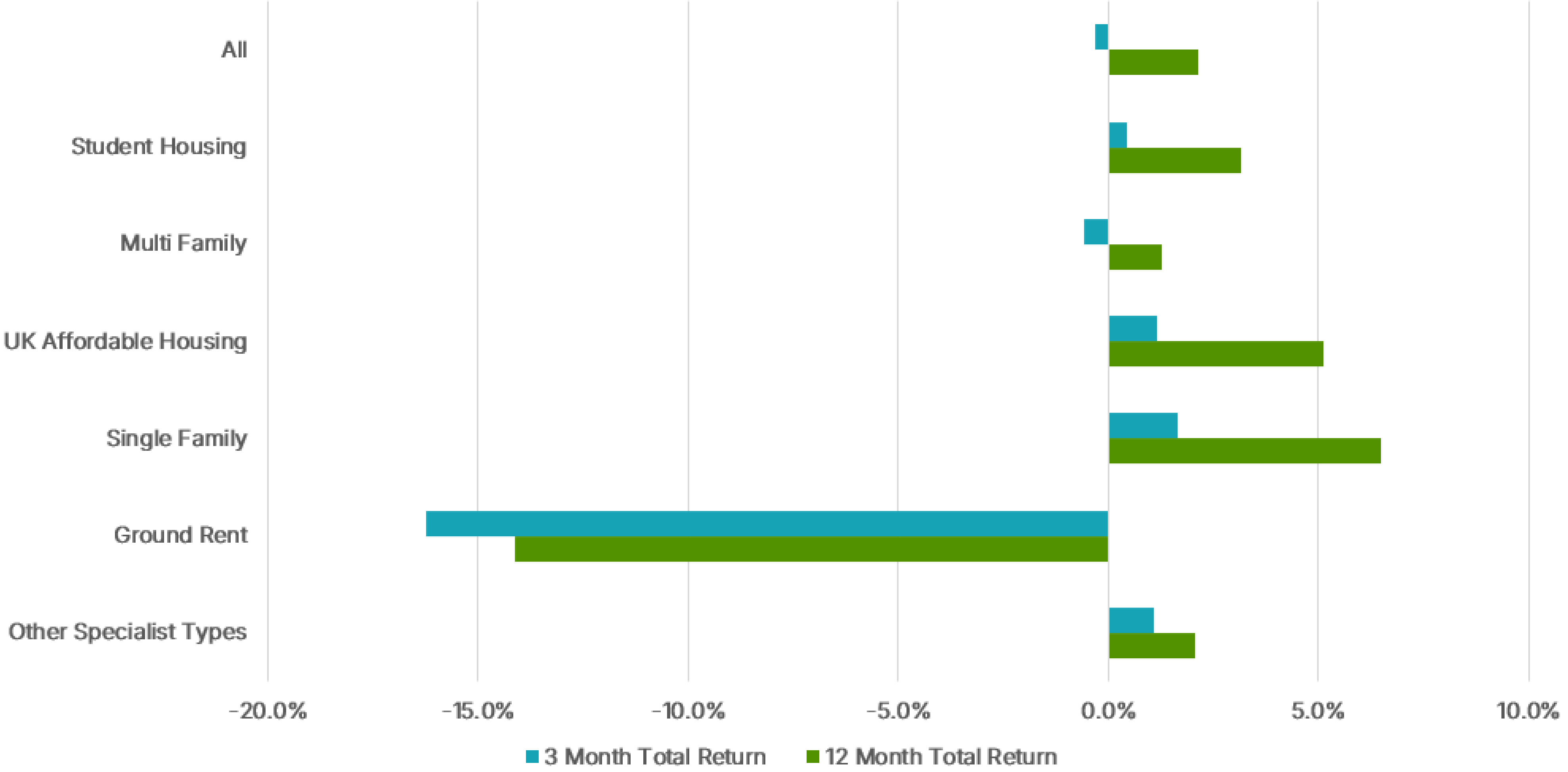
UK Residential sees third consecutive quarter of negative capital growth



Source: MSCI Real Assets Index Intel - MSCI UK Quarterly Property Index

Negative performance over the last 3 months driven by Multifamily Build to Rent and ground rents

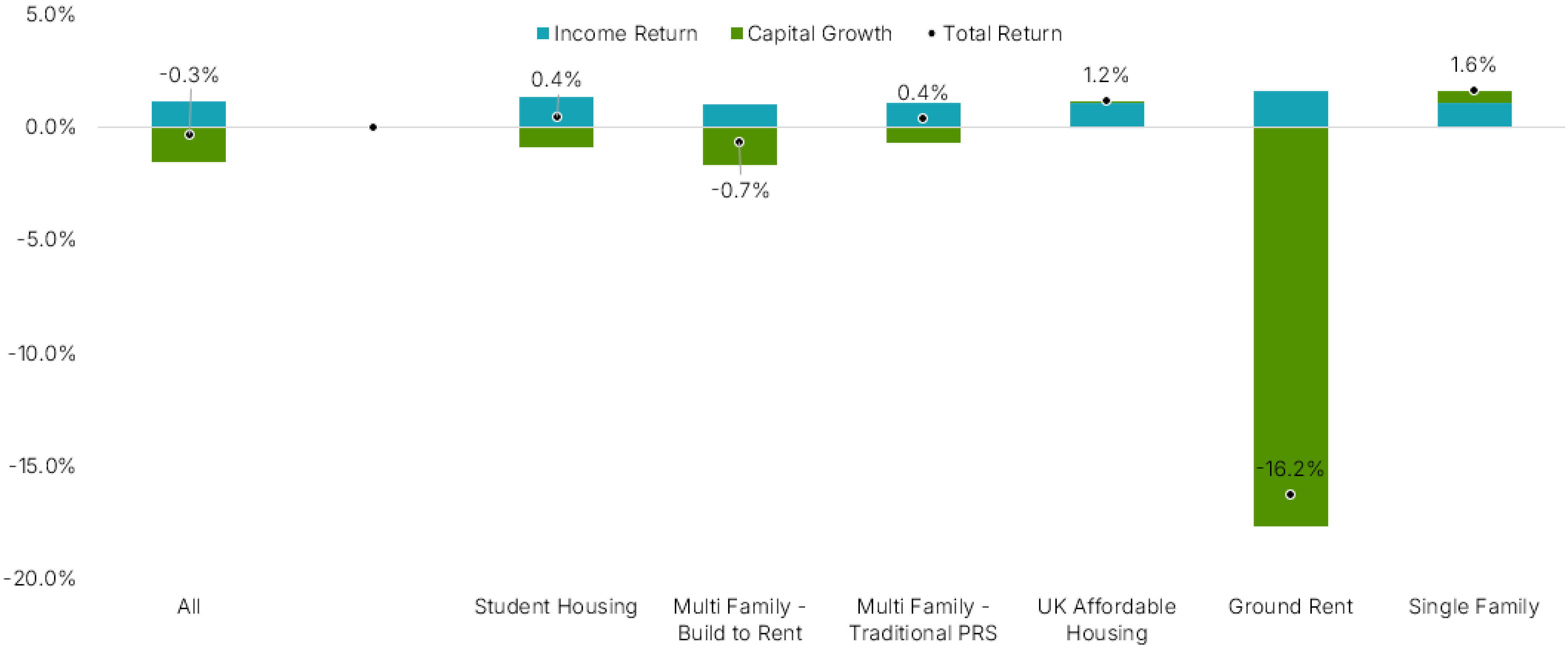
MSCI UK Quarterly Residential Index Total Return by Segment — 12 Month vs 3 Month to March 2026 - Standing Investment



Source: MSCI Real Assets Index Intel - MSCI UK Quarterly Property Index

Negative performance over the last 3 months driven by Multifamily Build to Rent and ground rents

MSCI UK Quarterly Residential Index Total Return by Segment — 3 Month to March 2026 - Standing Investment



Source: MSCI Real Assets Index Intel - MSCI UK Quarterly Property Index

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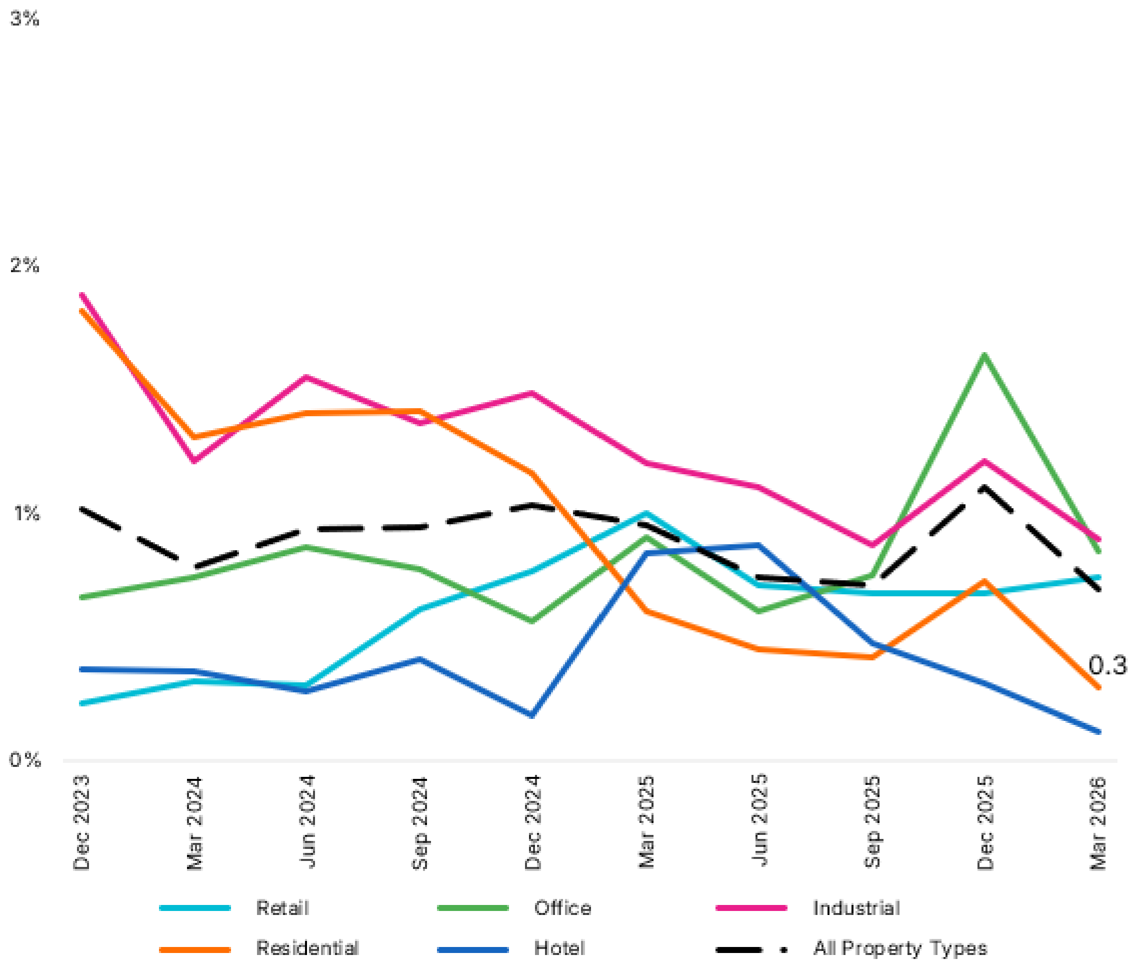
Underperformance driven by yield expansion

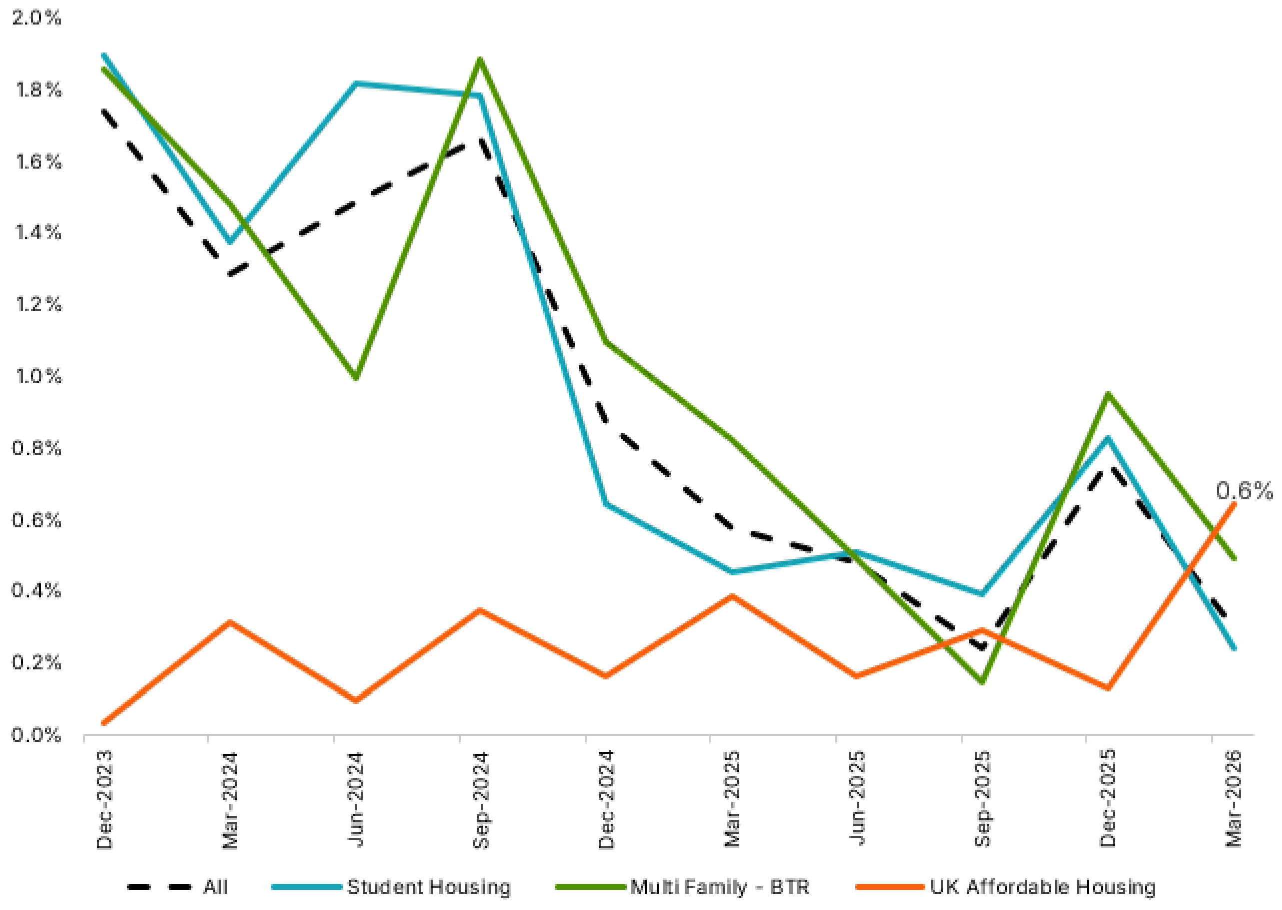
Total return split between income return, market rental value growth & yield impact - Standing Investment

Source: MSCI Real Assets Index Intel - MSCI UK Quarterly Property Index

Residential rental value growth slowing

Quarterly rental value growth by sector - Standing Investment





Source: MSCI Real Assets Index Intel - MSCI UK Quarterly Property Index

MSCI UK Quarterly Property Index Q1 2026 - Longer Term

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MSCI UK quarterly index 12-month performance

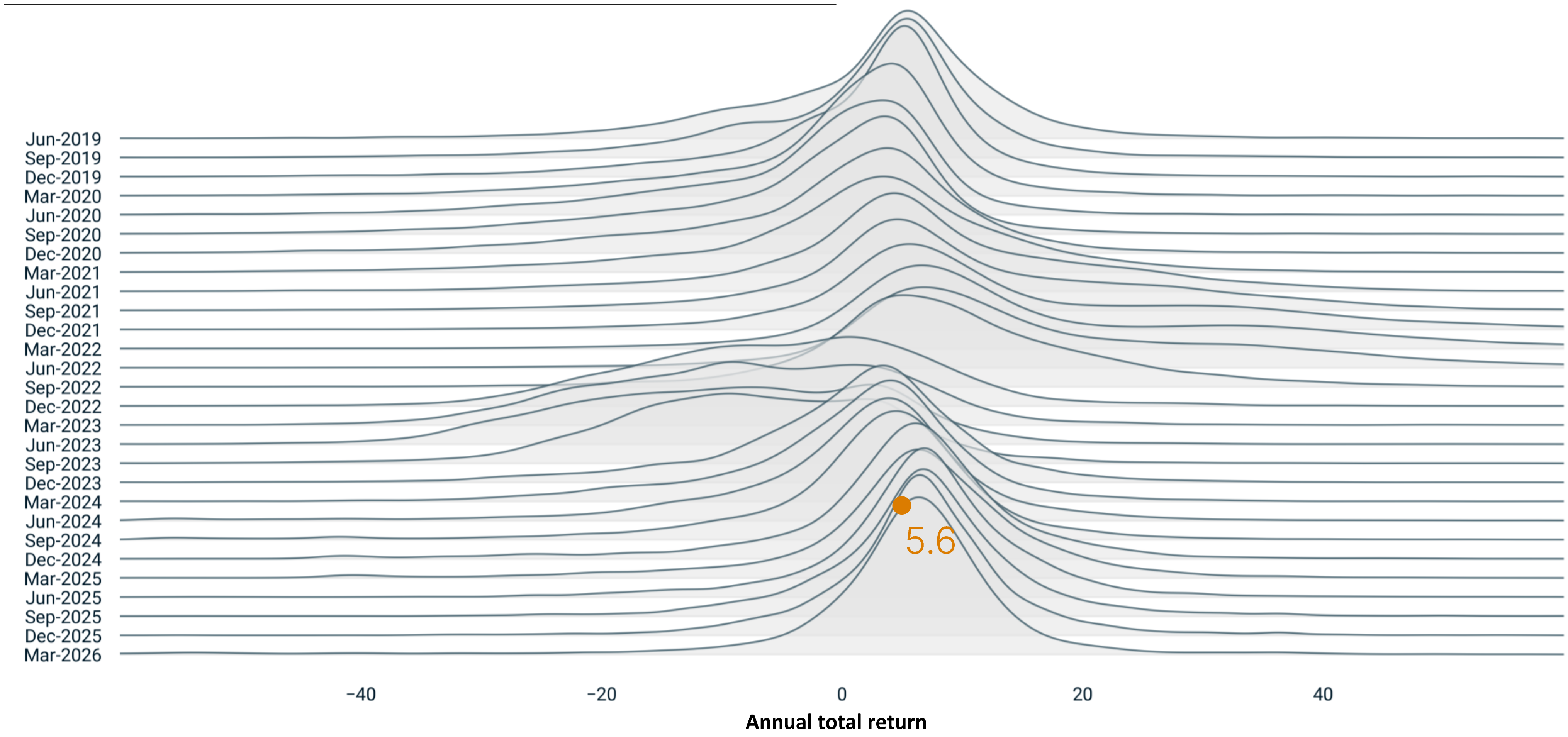
MSCI UK Quarterly Index March 2002 – March 2026

Annualised returns split between income return and capital growth – Standing Investment

Source: MSCI Real Assets Index Intel

Distribution of Return stable on rolling 12m basis – but….

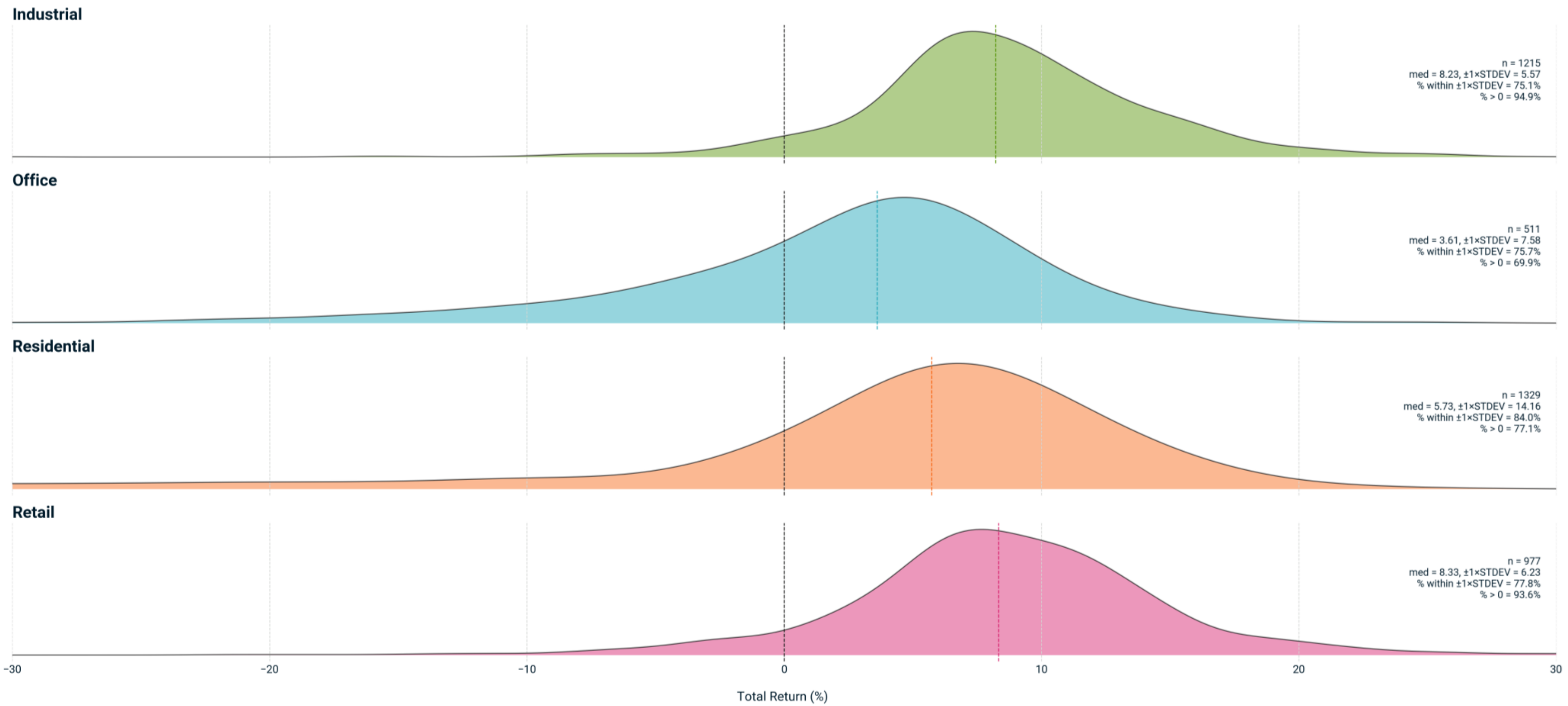
DISTRIBUTION OF ANNUAL TOTAL RETURN FROM 2019, ALL PROPERTY



Source: MSCI UK Quarterly Property index
Details

Range of Returns since 2024 Q1 – tails have been lengthening quarter on quarter

ANNUALISED TOTAL RETURN SINCE 2024Q1



Source: MSCI UK Quarterly Property index

Details

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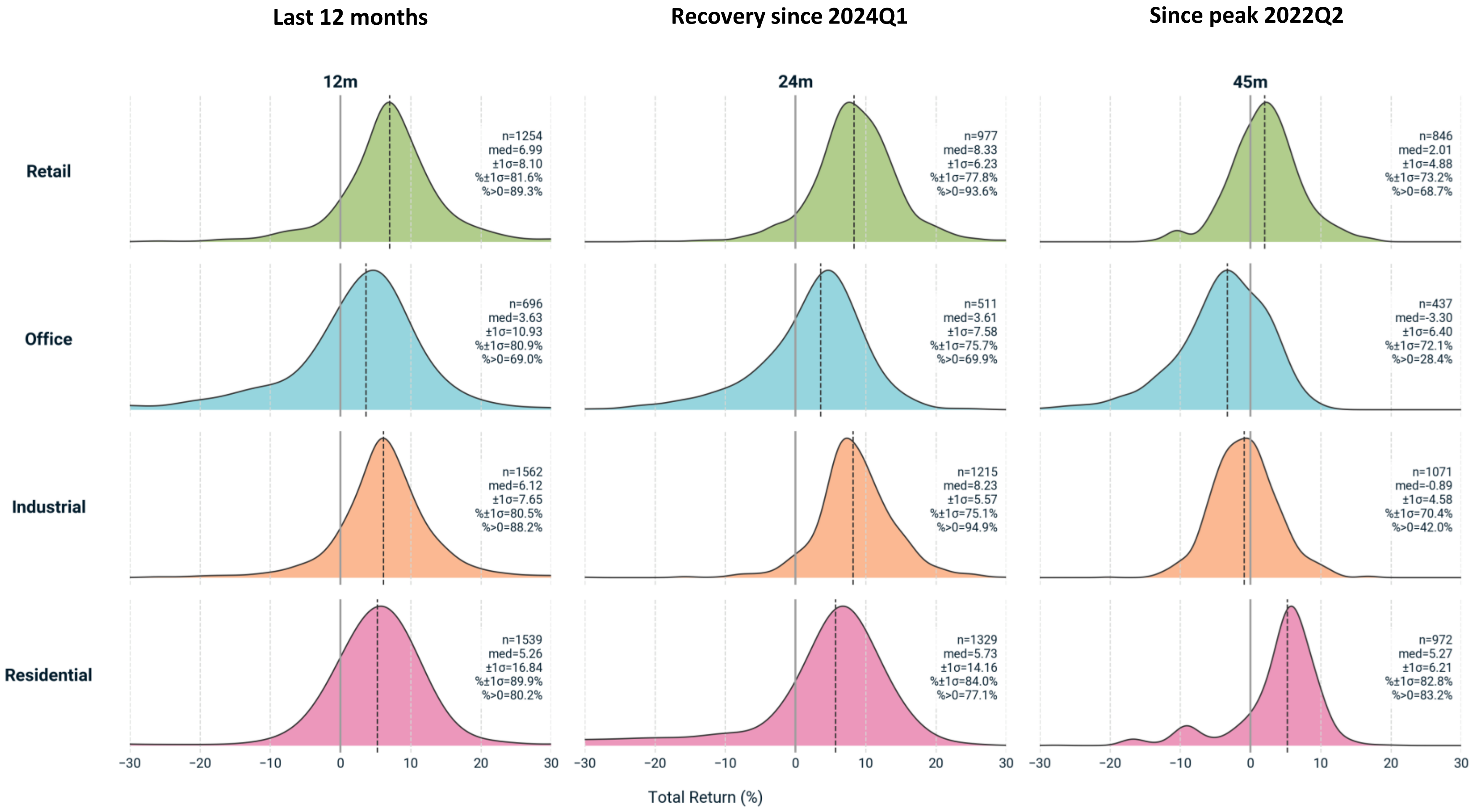
Since 2024 Q1: 93% of Retail positive 95% of Industrial positive

ANNUALISED TOTAL RETURN

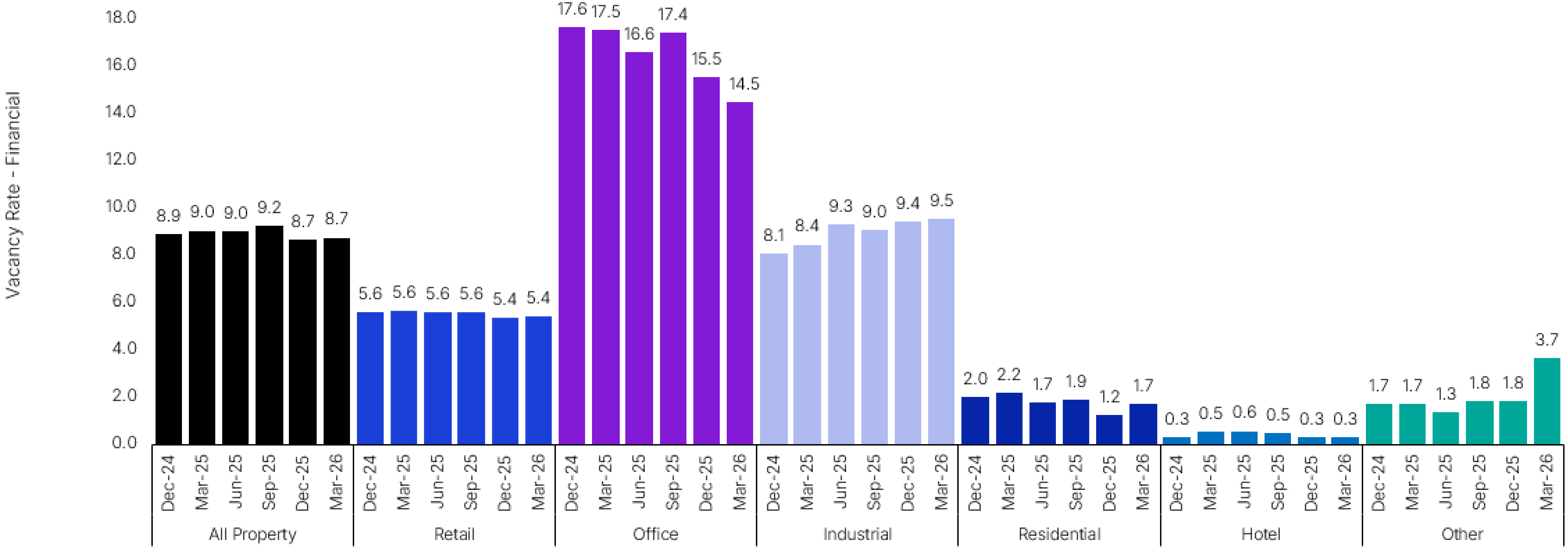


Source: MSCI UK Quarterly Property index
Details

Vacancy rate by property type

Financial vacancy rate % by property type

Data from December 2024 – March 2026 - Standing Investments



Source: MSCI Index Intel

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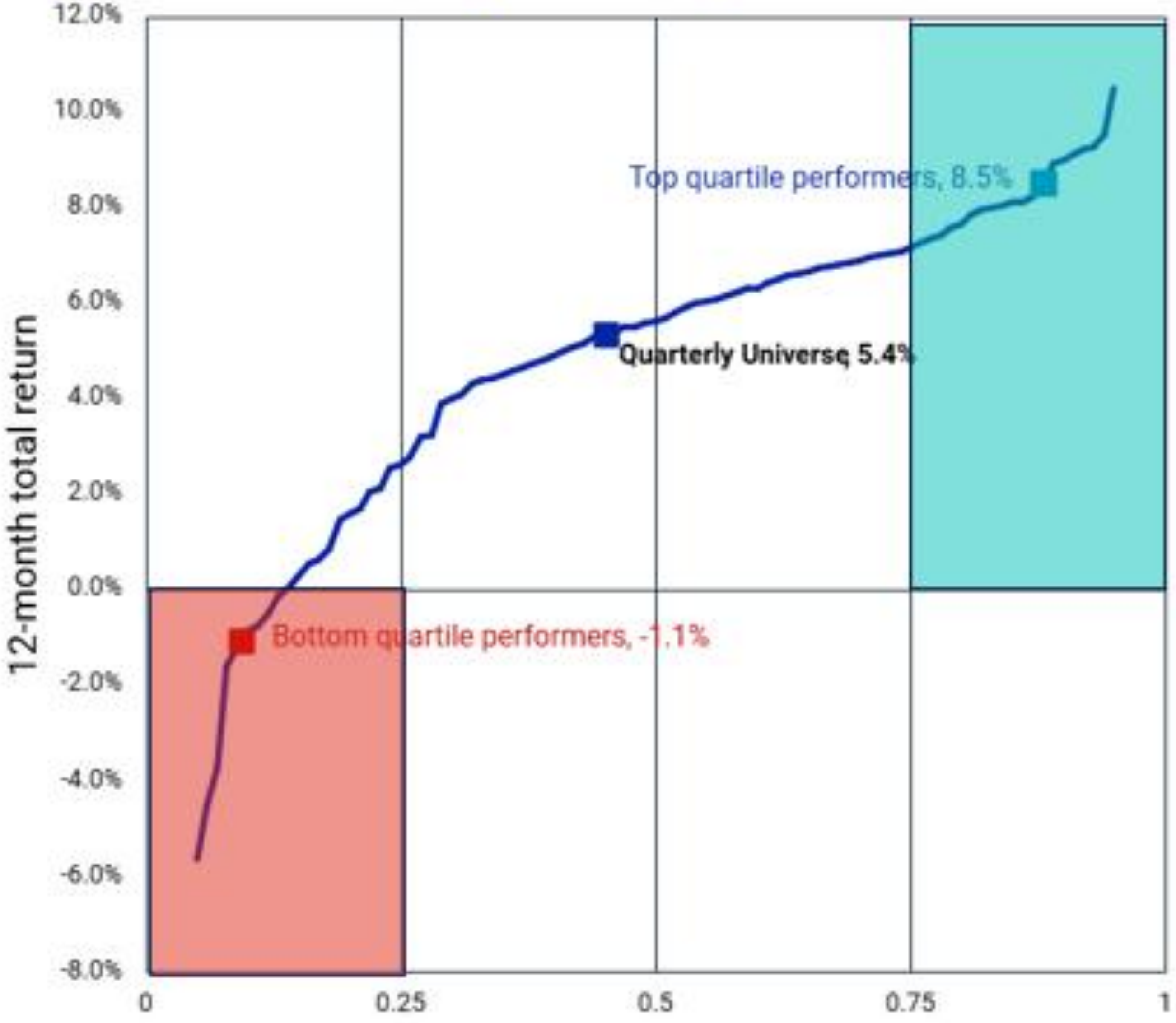
Top & bottom quartile performance – UK Quarterly March 2026



	Quarterly Univ	Top quartile	Bottom quartile
12-month performance*			
Total return	5.4%	8.5%	-1.1%
Income return	4.8%	5.1%	4.5%
Capital return	0.6%	3.2%	-5.3%
Average fund size	638	780	381
Average asset size	20.2	26.5	22.7
Asset allocation			
Shopping Centres	2%	4%	2%
Retail Warehouse	9%	6%	5%
Other Retail	9%	13%	4%
Office	24%	33%	18%
Industrial	32%	24%	20%
Residential	11%	6%	36%
Hotel	5%	5%	7%
Other	8%	10%	9%
Income profile			
Unexpired lease term**	9.3	11.2	9.2
Vacancy rate (OMRV%)	8.7%	5.5%	14.5%
Over-renting (%RP)	-6.9%	-8.2%	-5.8%
Activity			
Turnover, %	10.3%	5.8%	13.1%
Net Inv't, %	0.4%	1.1%	-6.5%

* Weighted average
** Breaks exercised, 30-year cap

Source: MSCI Real Assets UK Quarterly Index

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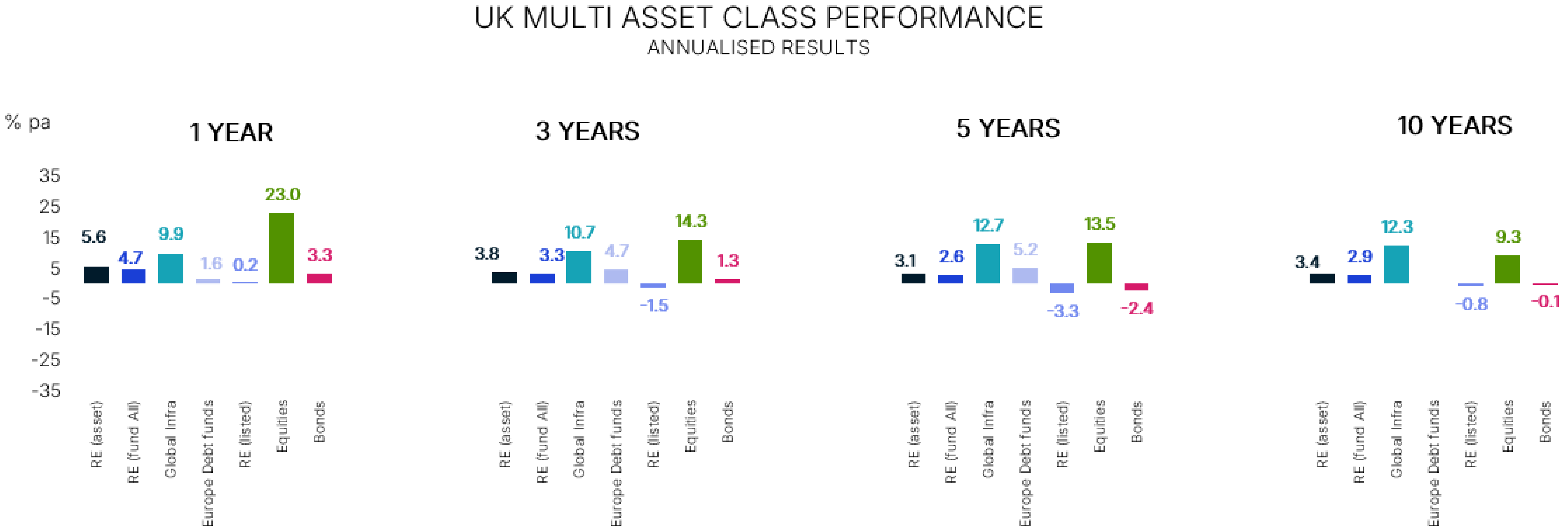
Real Estate in a multi asset context



NOTE: Results shown here for direct real estate and fund-level real estate are based on separate quarterly samples with specific sources indicated below.
Sources: EQUITIES: MSCI, Mid & Large Cap, Index, Total Return, GBP BONDS/FIXED INCOME: JP Morgan. GBI Broad, Traded, Index, 7-10 Year, Total Return, GBP; PROPERTY EQUITIES: MSCI, GB/Real Estate, Gross Total Return, GBP, series#115565; DIRECT REAL ESTATE (ASSET LEVEL): MSCI, MSCI UK Quarterly Property Index (and monthly index); NET FUND LEVEL REAL ESTATE: MSCI, MSCI UK Quarterly Property Fund Index. MSCI European Fund Level Debt Index – data to Q3 2025 – Euro Variable Currency. MSCI Global Infrastructure Fund Level Index_Research Release – data to Q3 2025 – USD Fixed Currency.

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Information Classification: GENERAL

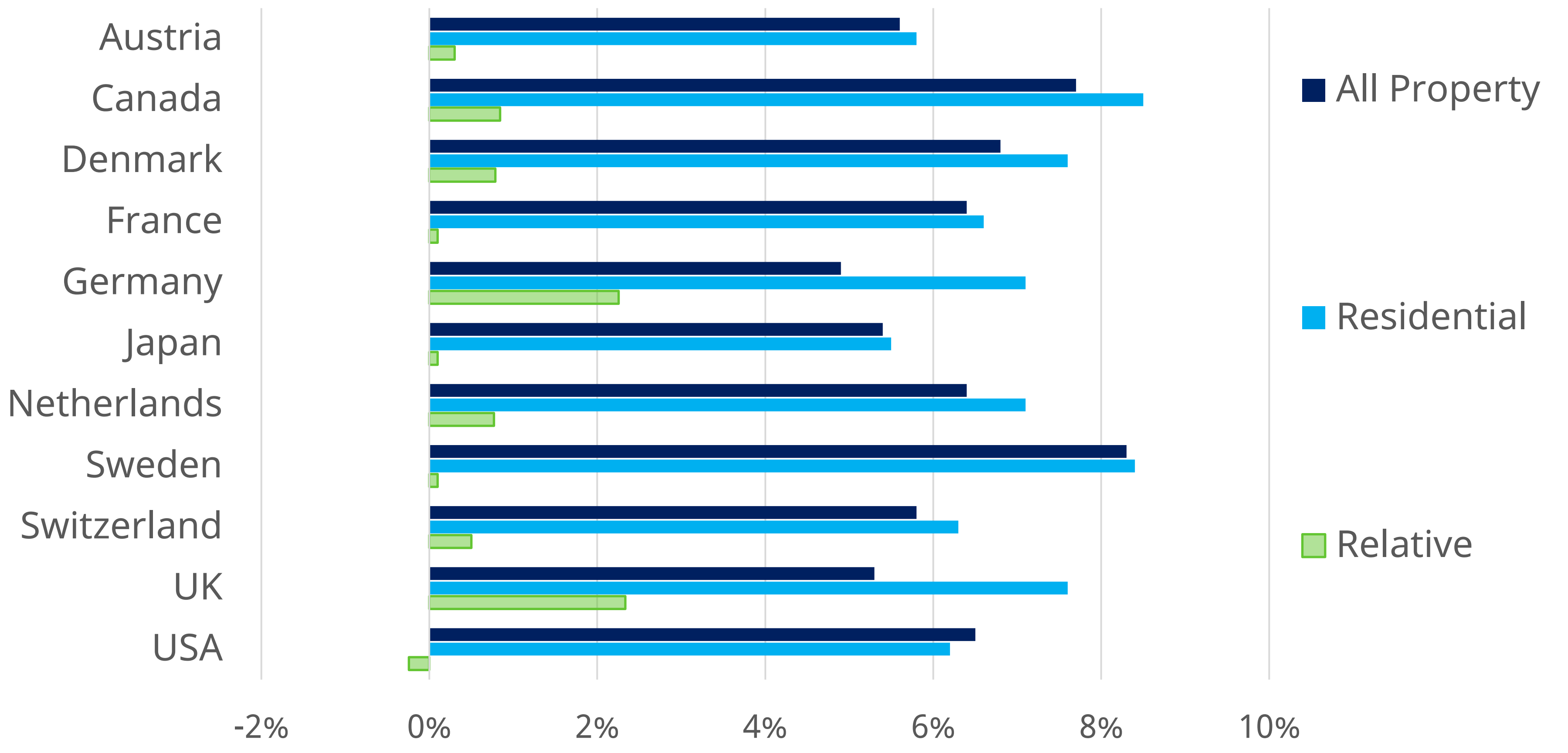
IPF Research: Diversification in the Living Sector

Malcolm Frodsham

May 2026

Living: superior returns

Commercial vs. residential
Annualised Total Returns across the 20 years to end 2024



Source: MSCI

What people assume drives Living returns

1. Demand and supply
2. Demographics
3. Sector labels (PBSA, Senior Living etc.)

What actually matters

1. Renter affordability
2. Cost inflation and operational leverage
3. Rent review structure
4. Regulation

Rental growth is constrained

- Real rental growth ≈ zero
- Driven by:
  - Renter affordability, and
  - Depreciation
- ➢ *Growth is not a key differentiator across Living subsectors*
- ➢ *But rent review mechanism is (open market vs regulated)*

Rental growth - international range

Annual nominal rental growth – 2014 to 2024

	Minimum	Average	Maximum	*UK*
Student housing	3.3%	3.4%	3.6%	*3.3%*
MFH	0.8%	2.7%	4.0%	*2.8%*
SFH	1.5%	2.9%	4.3%	*1.5%*
Senior living	1.7%	2.3%	4.0%	*1.8%*
All Residential	**0.7%**	**2.6%**	**4.0%**	***3.0%***

Annual real rental growth – 2014 to 2024

	Minimum	Average	Maximum	*UK*
Student housing	0.3%	0.5%	0.6%	*0.3%*
MFH	-2.1%	-0.2%	1.0%	*-0.2%*
SFH	-1.4%	-0.1%	1.3%	*-1.4%*
Senior living	-1.2%	-0.6%	1.0%	*-1.2%*
All Residential	**-2.2%**	**-0.5%**	**1.0%**	***0.1%***

Source: MSCI, National Government sources

Occupancy is high and stable

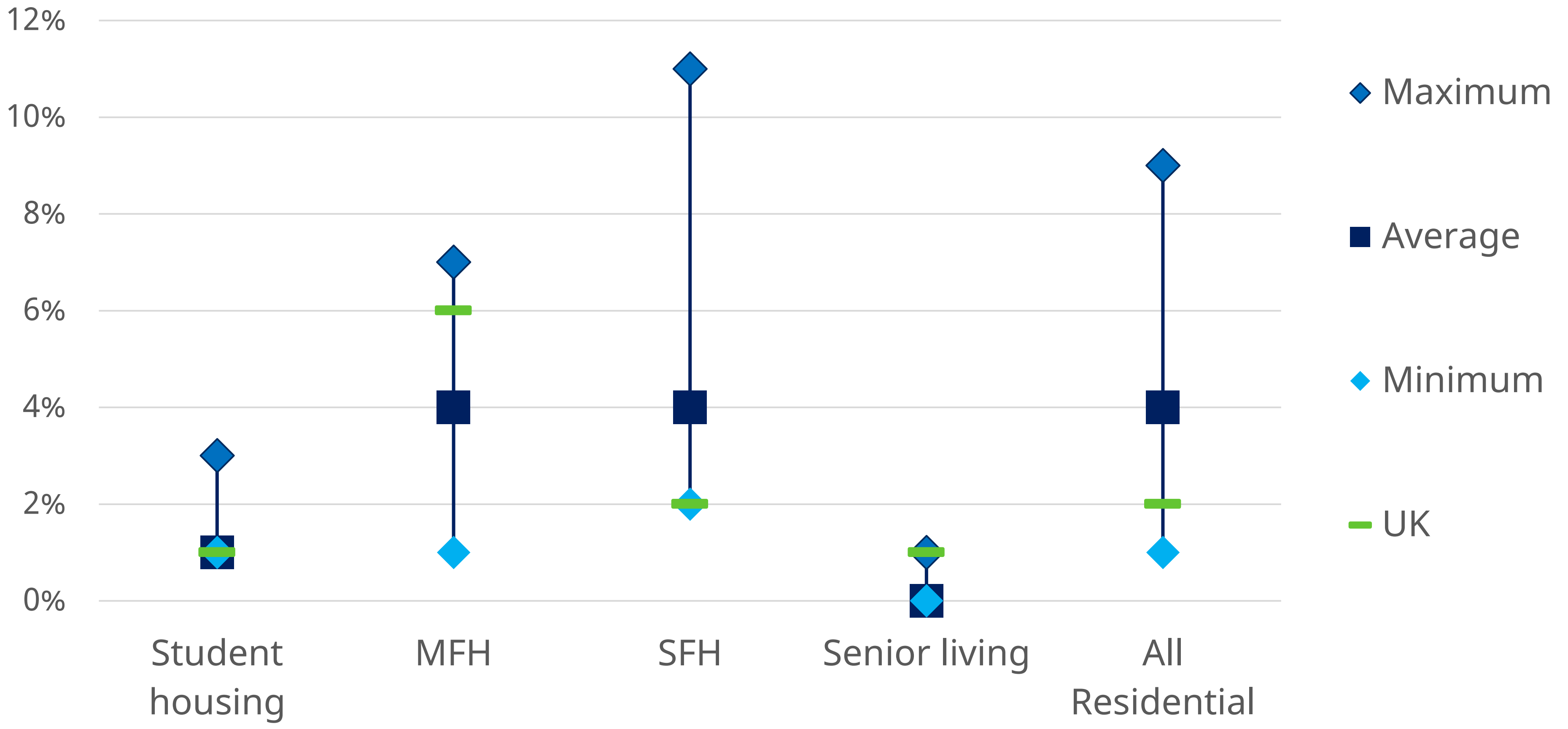
- Vacancy is low
- Limited link to rental growth
- Affected by local oversupply

➢ *Occupancy does not drive volatility*

➢ *After lease-up, when it is one of the most important drivers*

Financial vacancy rates - international range

Vacancy rates (international minimum, maximum and unweighted average vs UK)
20 years to end 2024



Source: MSCI

Costs matter in Living

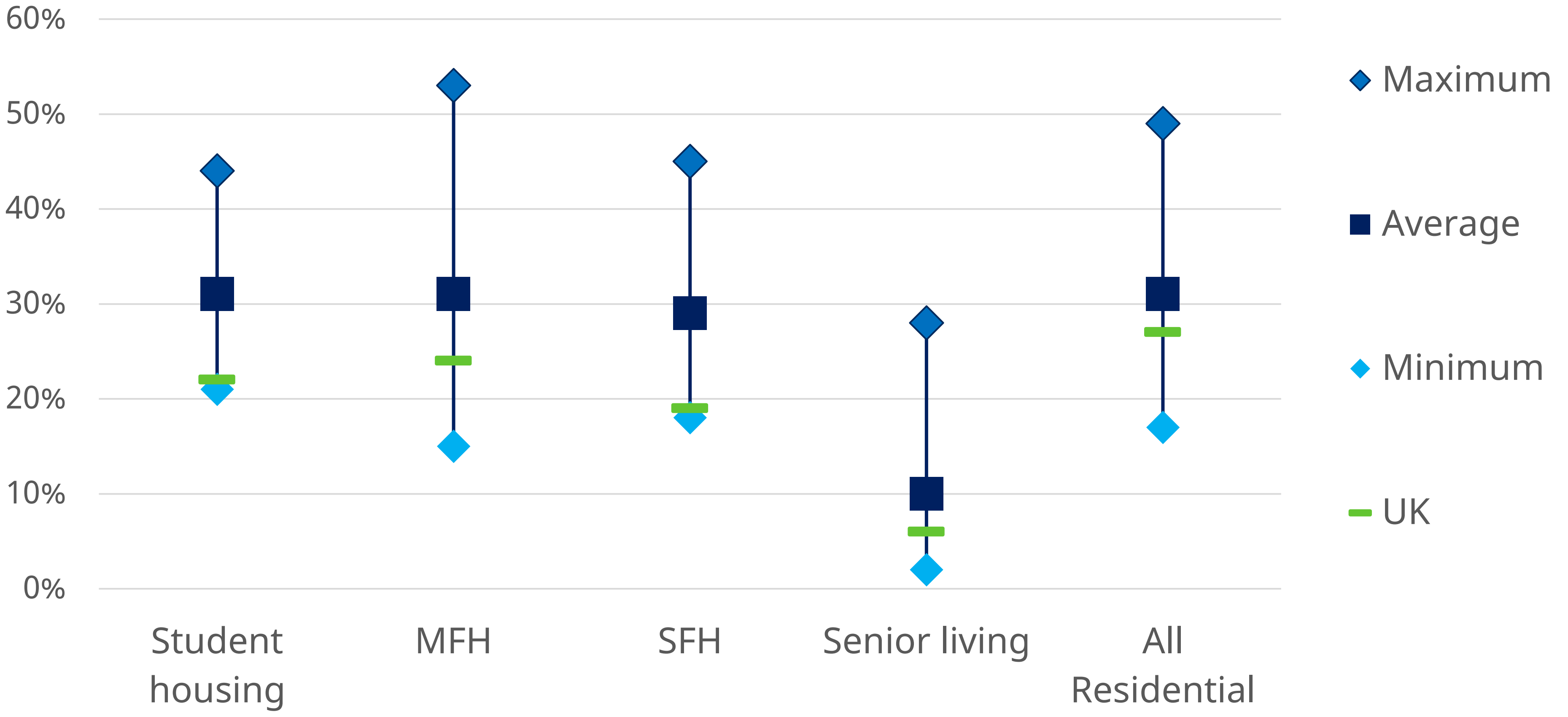
- Significant
- Inflation-linked
- Operationally driven

➢ *Differences in costs can outweigh differences in growth and occupancy*

➢ *In a low real growth environment, cost pressure builds over time*

Irrecoverable costs - international range

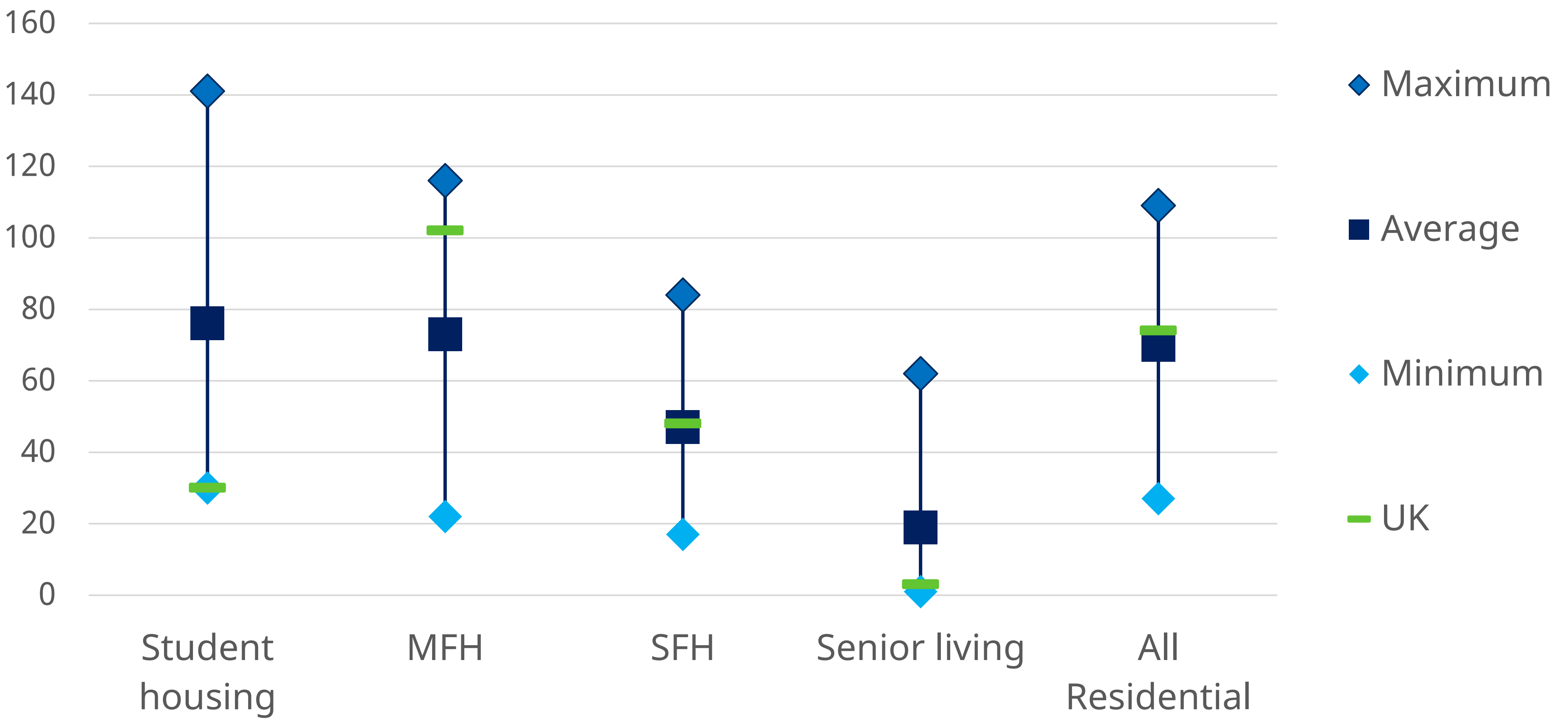
% of Gross Income (international min., max. and unweighted average vs UK)
10 years to end 2024



Source: MSCI

Capex per square metre - international range

Real capex psm (international min., max. and unweighted average vs UK)
10 years to end 2024, Standing investments



Source: MSCI

Living sector returns are driven by…

- Limited real rental growth
- Stable occupancy
- High, inflation-linked costs
- Rent review type (open versus regulated)
- Regulation

Key differences across Living subsectors are structural

- Degree of operational leverage
- Inflation linked vs Market Rent reviews
- Regulatory exposure

➢ *Rent review basis and cost intensity explain more than subsector labels*

IPF Report: Diversification in the Living Sector

- June 2026 – release and presentation
- Target returns based on cash-flow structure and cost dynamics, <u>not</u> assumed differences between subsectors
- Implications for portfolio for construction

Why has institutional capital liked the Living story more than it has managed to scale the Living allocation?

Development and lease-up risk

- Much of the sector is still immature and requires development.
- The development and lease-up phase is fundamentally different from stabilised operations.
- For non-regulated stock, much of the risk sits in leasing up the scheme, occupancy, pricing, incentives and operating costs are all uncertain at the same time.

High idiosyncratic risk

- Living performance is highly asset-specific.
- Operational intensity, local supply, management quality, service levels and resident experience can all matter materially.
- So, diversification benefits may be weaker than sector labels imply.

Small portfolios and scaling constraints

- Institutional portfolios are still relatively small in many Living formats.
- That creates concentration risk and makes benchmarking harder.
- It also raises the question of whether investors are buying a sector allocation, or simply accumulating individual operational risks.

Final Remarks

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Hogan Lovells

12th May 2026

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MSCI / IPF UK Quarterly Market Results for Q1 2026

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