Room 151
UK property briefing

CCLA
GOOD INVESTMENT

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29th May 2026

Image courtesy of Koestler Arts

UK Growth & Inflation

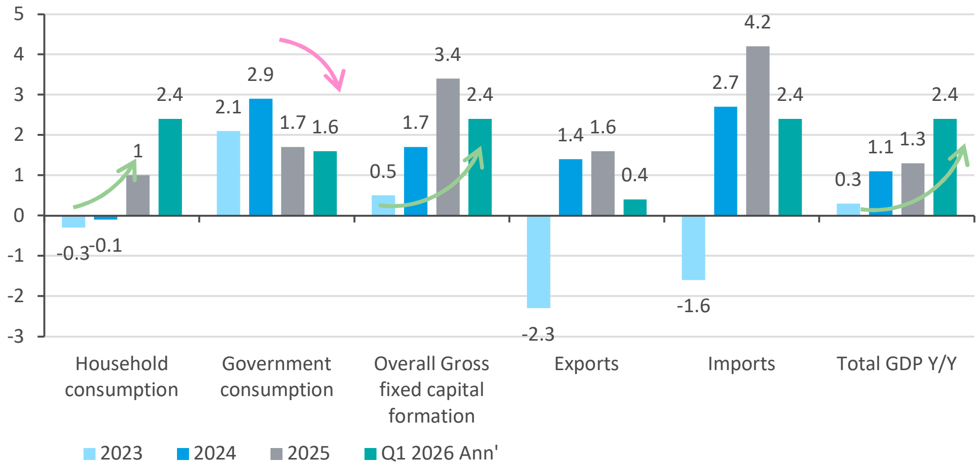
The Iran conflict has adversely affected the UK's inflation and growth outlook. Inflation remains high, dampening consumer confidence and raising costs. Growth forecasts have been lowered, with declining PMIs indicating reduced business activity and increased market uncertainty.

Growth

▼ Manuf. PMI	▼ Services PMI	▼ Composite PMI	▲ Unemployment
▼ Govt. Spending	▲ Consumer Spending	▼ Business Confidence	▲ Overall GDP

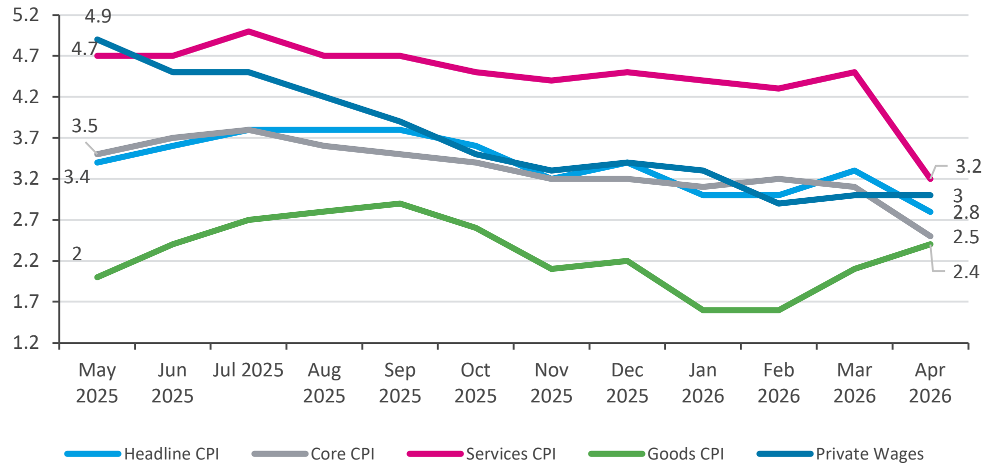
Key: Background: RAG status of economic metric, worsening to improving. Arrow: Direction of travel

UK GDP YoY% By Expenditure

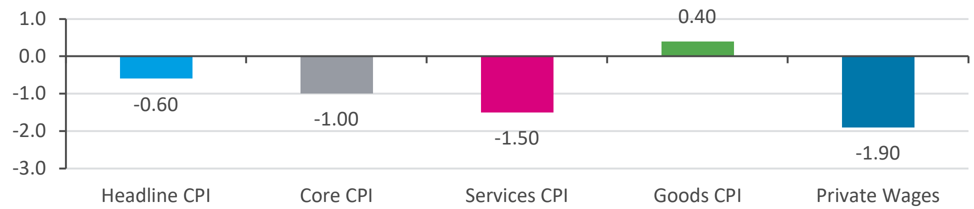


Inflation

CPI YoY% Over 12 Months



Change Over 12 Months

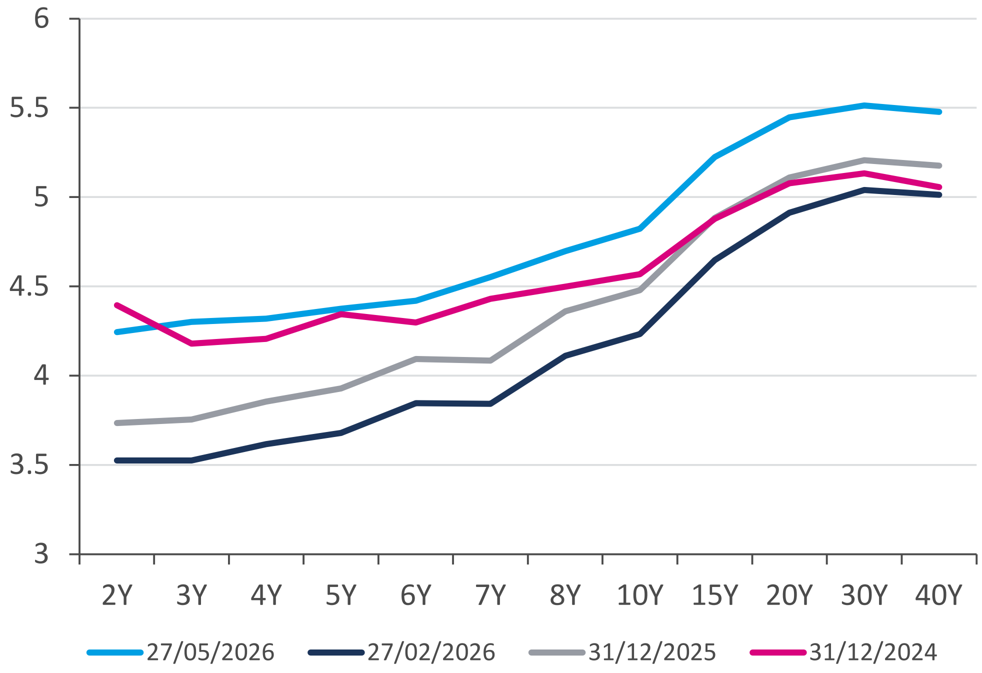


Source: Bloomberg, ONS, CCLA as at May 2026. The market review, analysis, and any projections contained in this document represent the current house view and should not be relied upon to form the basis of any investment decisions. Past performance is not a reliable indicator of future returns.

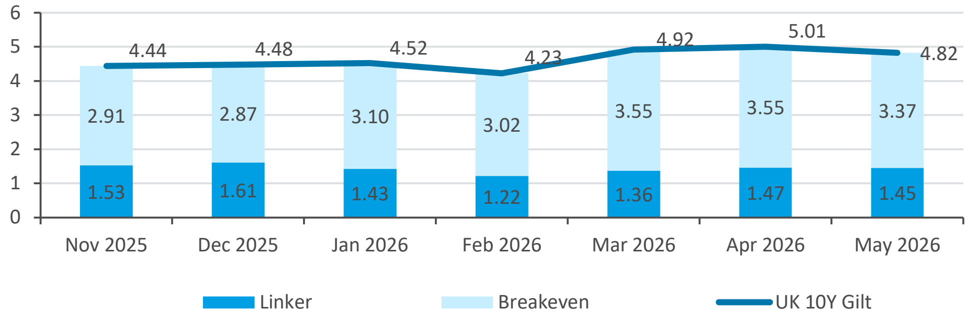
Markets

The Bank of England cut rates in Dec 2025. Markets have shifted from pricing two further cuts this year to now expecting almost *three hikes* by year-end. The curve is now higher than it was two years ago.

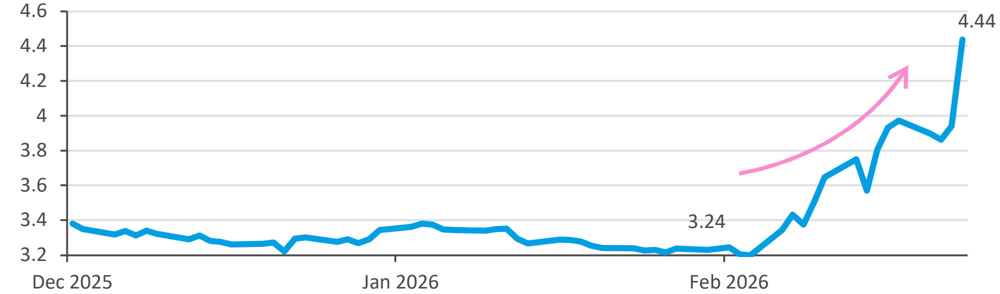
UK Gilt Curve Over Time



Last 7 Months 10Y Yield Breakdown

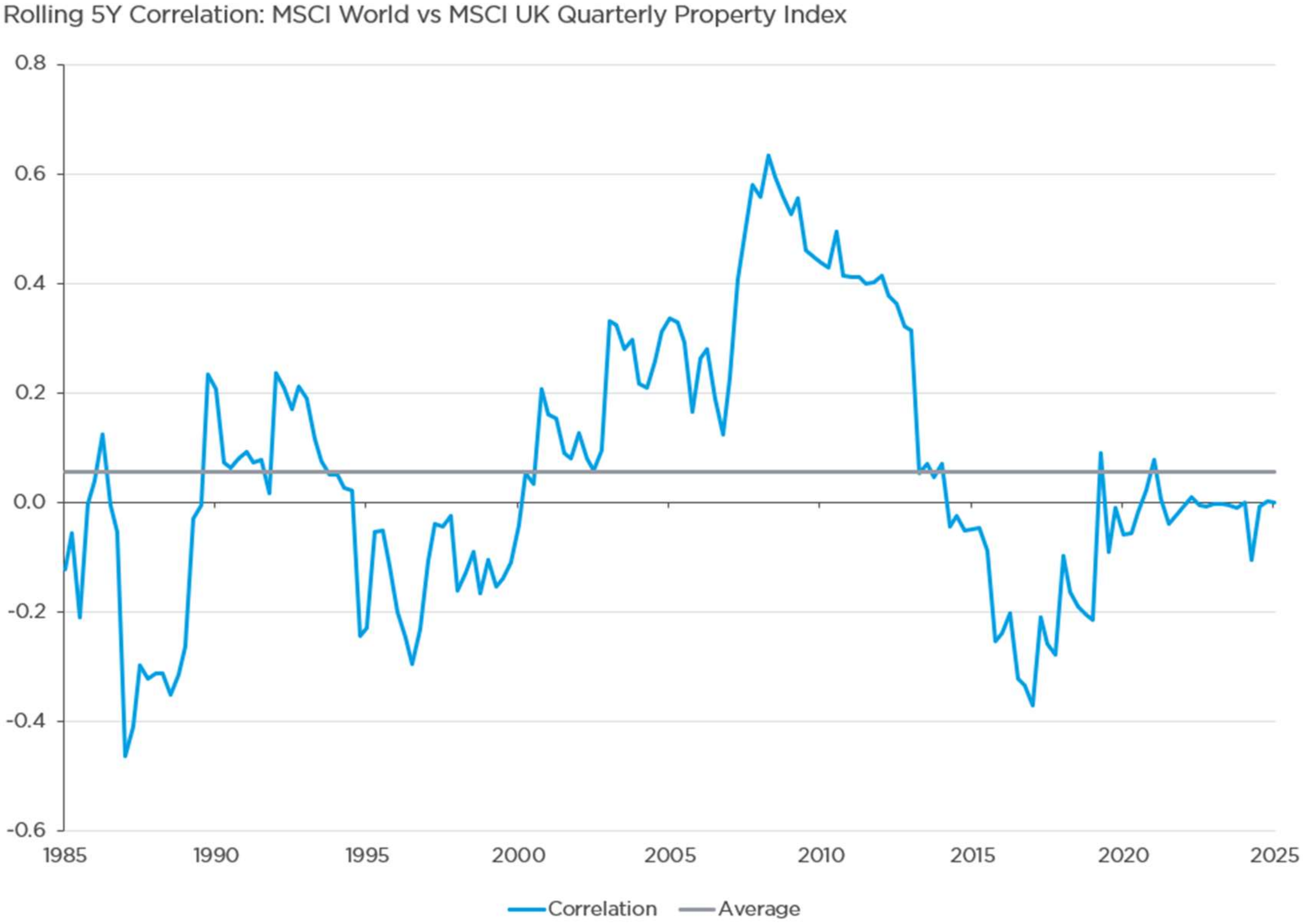


UK Dec 2026 Rate Expectation



Source: Graph: ONS, CCLA as at May 2026. *RPI-CPI conversion: -0.75%. The market review, analysis, and any projections contained in this document represent the current house view and should not be relied upon to form the basis of any investment decisions. Past performance is not a reliable indicator of future returns.

Property investment rationale - diversification



Source: CCLA, as at 31 December 2025.

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Property investment rationale

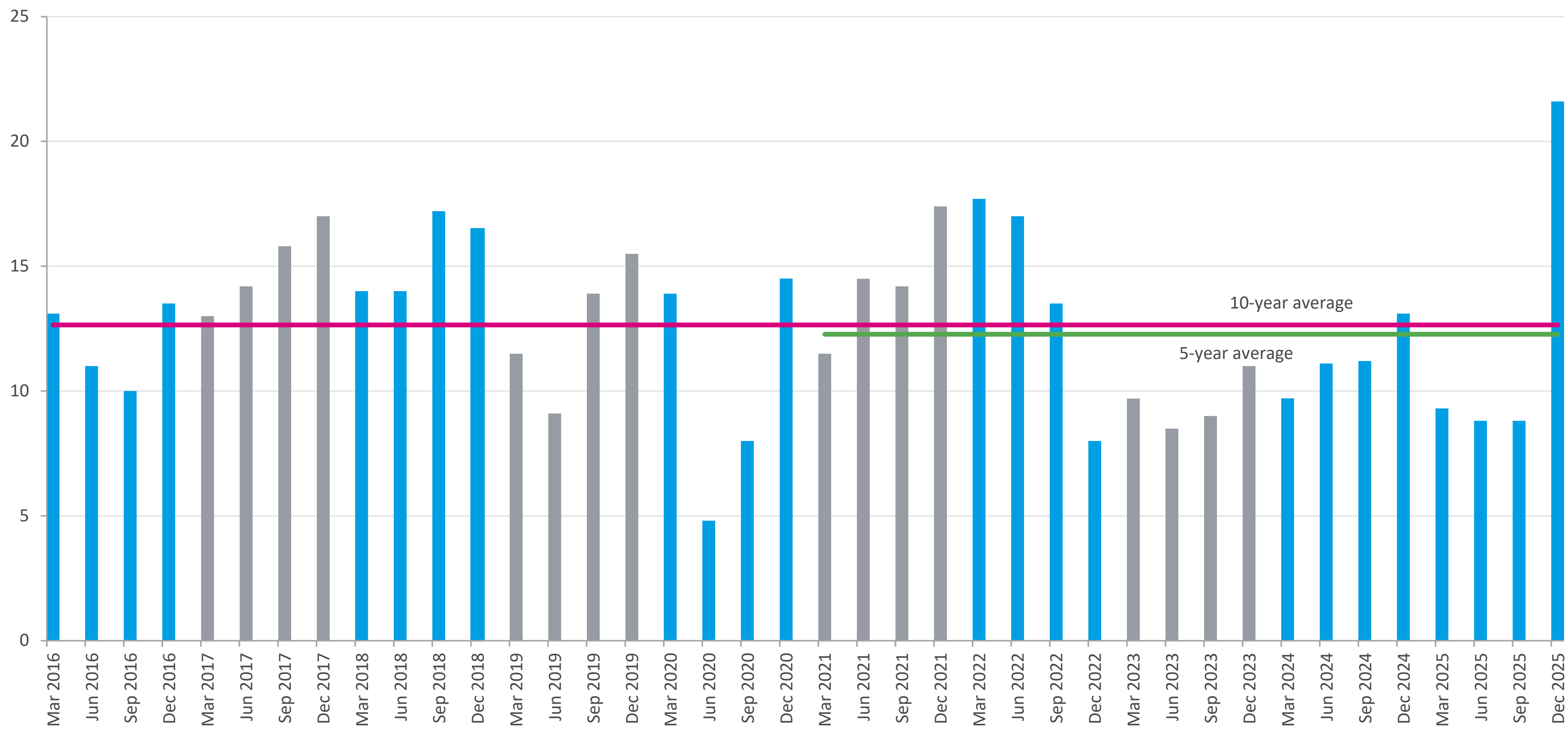
Annualised total returns for All Property real total returns of c+4.4% since 1981

REAL RETURNS BY PERIOD (CPI-ADJUSTED, ANNUALISED)

PERIOD	PROP REAL TR
1981–1990	+4.78%
1991–2000	+6.33%
2001–2010	+4.41%
2011–2020	+5.00%
2021–Present	-1.64%
Full Period	**+4.35%**

Source: CCLA, MSCI UK Quarterly Property Index January 1981 to December 2025. Past performance is not a reliable indicator of future results.

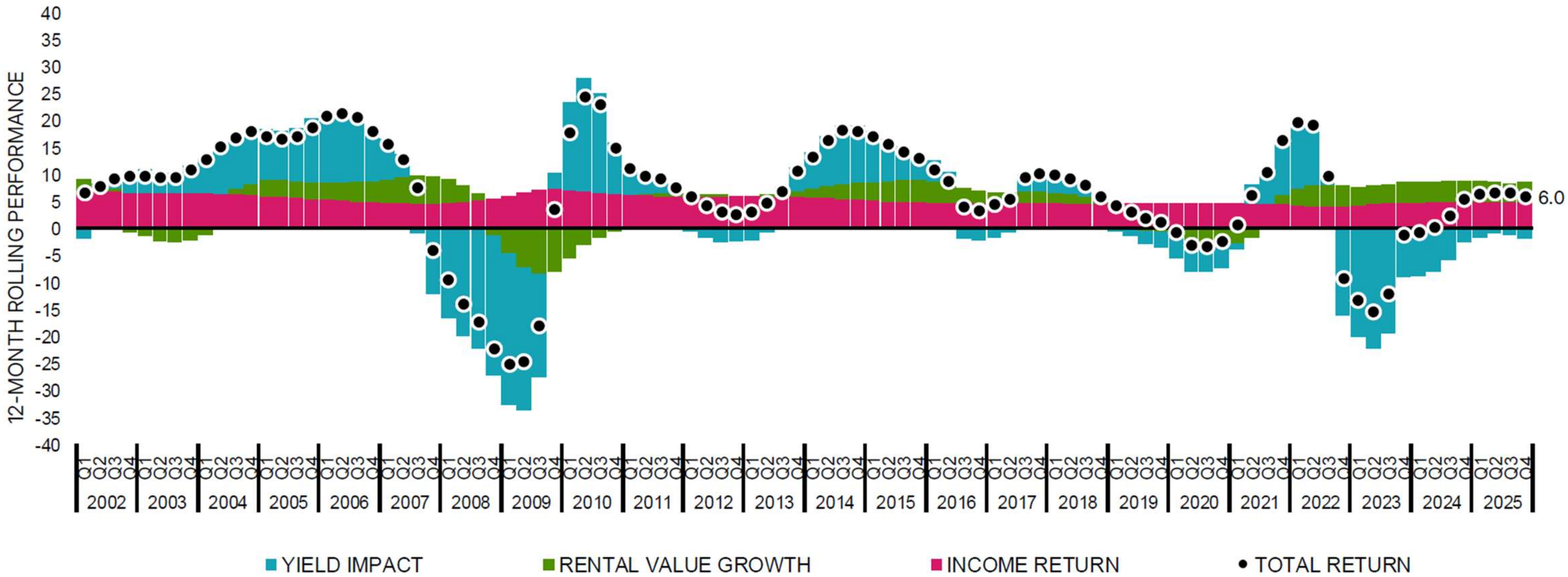
UK investment volume (£bn)



Source: Lambert Smith Hampton, as at 31 December 2025.

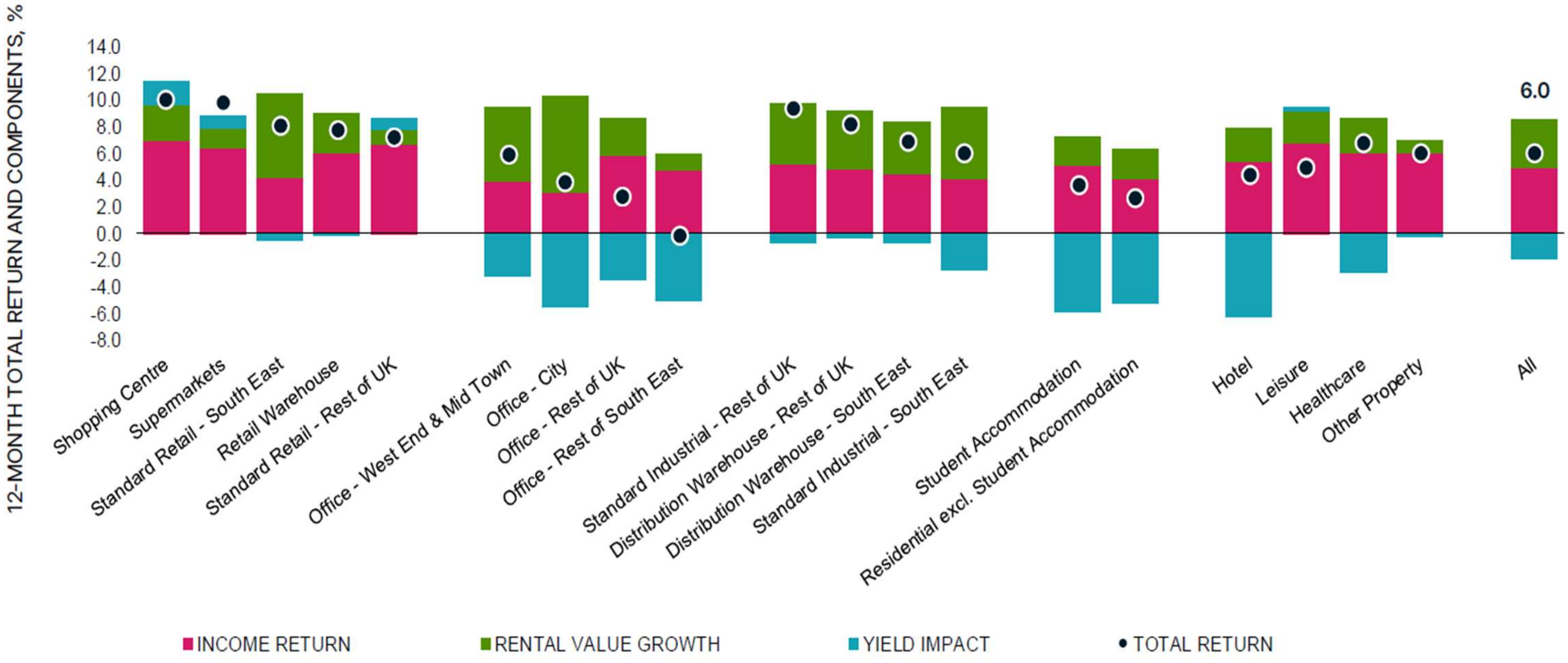
UK commercial property market update

UK quarterly index decomposition 12-month rolling (%)



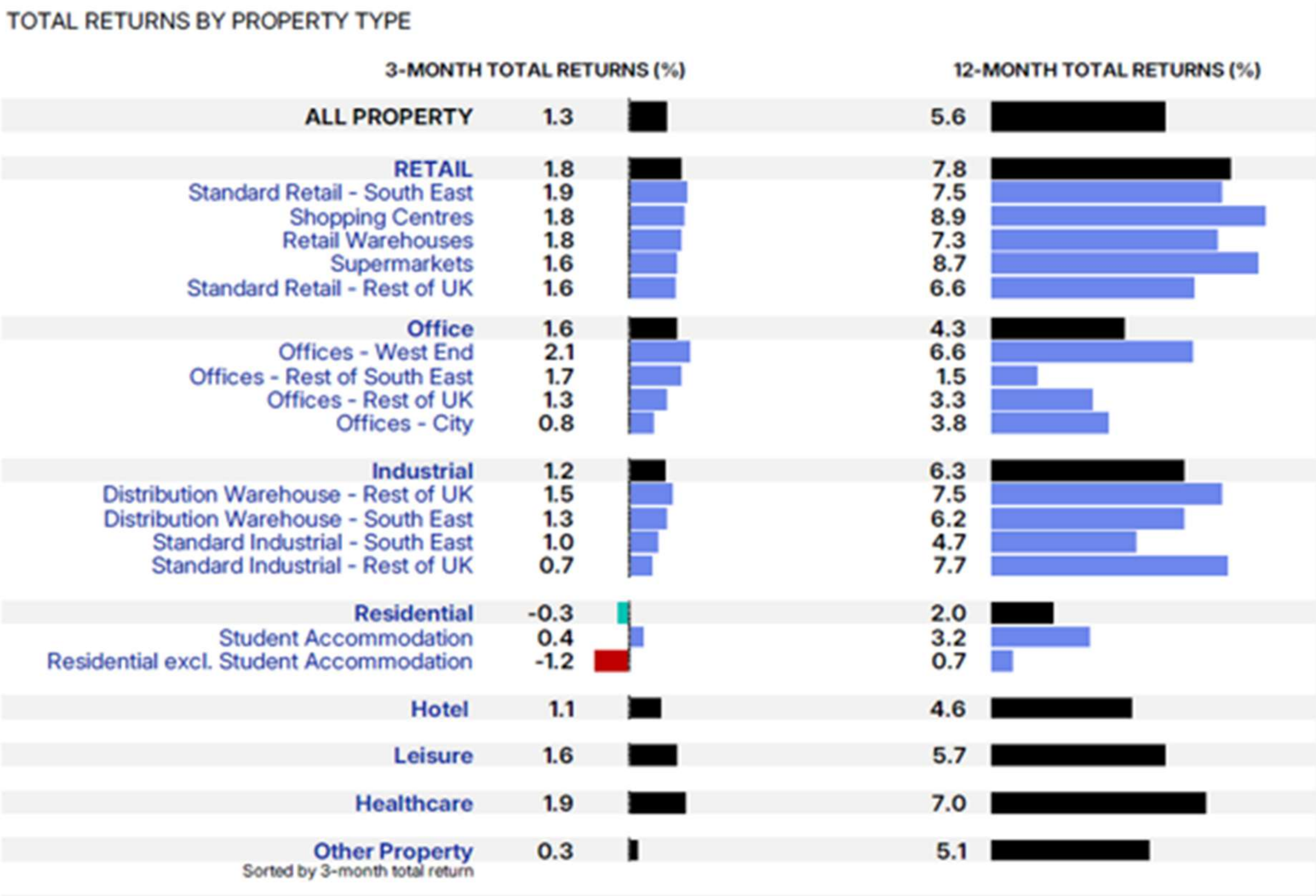
Source: MSCI Quarterly Index, March 2022 to December 2025, as at February 2026.

12m total return and return components by sector



Source: MSCI Real Assets Index Intel as at December 2025. Sourced February 2026. Past performance is not a reliable indicator of future results.

Property sector - quarterly and annual total returns



Source: MSCI Quarterly Index, as at 31 March 2026. Sourced May 2026.

Market Summary – Q1 2026

- **Transactions increased post budget** – Q4 a record quarter for volume & No up 7%. Institutions net buyers again and consistent flows of **international capital.**

- Awaiting Q1 transaction data; early signs indicate **Iran conflict** **slowdown**

- **Capital values stable** over Q4 & Q1 **– market proving resilient**

- **Total returns look attractive - MSCI Monthly Index** recorded **6.5%** for **all-property for** 12 months to March 2026, with **Industrial (7.3%) and retail warehouse (8%)** both outperforming on a relative basis

- **Rental growth continues,** currently running at ***c*.3.1% p.a.***

- According to the Bank of England's Credit Conditions Survey, the net balance of lenders planning to **improve the availability of credit** to property in Q2'26 stood at 10% at end of Q1 (contrasts with corp lending at 2%). Favourable due to secured lending and positive outlook for capital values.

Source: *MSCI Monthly Index – All Property - last 12 months to March 2026.

Market Outlook – Q2 2026 & Beyond

- **Transactional activity will slow** until Iran conflict ends & outlook for inflationary impact and its affect on interest rates / gilts is clearer.

- **Iran war:** sectors most exposed to rising energy costs & lower consumer spending are likely to be retail, leisure, hotels & manufacturing. **Logistics OK: pass costs on**.

- **If quick resolution to Iran war: rental growth** is expected to continue across many sectors**, generating capital growth & income growth**

- As industrial rental growth slows from historic highs, **property level characteristics will become more important than sector weightings**

- Future **out-performance** likely to be driven by:

  i. **Repurposing or selling underperforming assets,** especially offices

  ii. Protecting and enhancing **income by:**

    - effective **asset management** (experience of team is critical).
    - focus on high **rent collection**
    - disciplined **cost control and prudent capital expenditure**

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Important information

This document is issued for information purposes only. It does not constitute the provision of financial, investment, or other professional advice. CCLA strongly recommend you seek independent professional advice prior to investing. Any forward-looking statements are based upon current opinions, expectations and projections. Actual results could differ materially from those anticipated.

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