RESEARCH

MARKET IN MINUTES

UK Commercial Investment

OCTOBER 2026

savills

KEY STATS

6.04%
AVERAGE PRIME YIELD AT END OCTOBER 2026

£11.3BN
Q3 INVESTMENT VOLUME

6.06%
AVERAGE PRIME OFFICE YIELD

4
SECTORS EXPECTING TO SEE UPWARD PRESSURE ON YIELDS

Push and pull factors confuse pricing

Our average prime yield was broadly stable in October, but this headline number hides some interesting push and pull factors that are currently present in the market.

The outlook for investment is now even more closely linked to the expected forward path for borrowing rates. While we do not support the bond market view of 3-5 rate rises ahead, we do think there is potential for one more rise in spring 2027. This tension is behind the upward yield arrows that we added this month, and the fact that all of the Office and Industrial segments have either seen yield softening or impending yield softening this year.

Some readers might be more surprised by the fact that we added a downward arrow to the Open A1 Retail Warehouse this month, signalling that we expect to see yield hardening in the next few months. This is the first indication of a wider trend that we have been experiencing across all sectors over the summer, where a pool of highly motivated Core buyers are competing for a handful of prime assets. This is beginning to stimulate a widening of the spread between Core and Core+ pricing, and this could well lead to a short-term dislocation in pricing across all sectors in the new year.

The other trend that looks notable at the moment is the position of Offices in the league table. For only the second time in 36 years, our prime Office yield is higher than the equivalent for Retail and Industrial. Some readers might feel that this is right-pricing given the threats from AI and obsolescence, but we believe that the strong prime rental growth story will be maintained in 2027, and this starts to make some Offices look cheap.

SAVILLS PRIME YIELDS

	Oct 2025	Sep 2026	Oct 2026
West End Offices	3.75%	4.00%	4.00%
City Offices	5.25%	5.50%	5.50%
South East Offices	7.50%	7.75%	7.75%↑
Regional Offices	6.75%	7.00%	7.00%
High Street Retail	6.50%	6.50%	6.50%
Shopping Centre	7.25%	7.25%↑	7.25%↑
Retail Warehouse (Open A1)	5.25%	5.25%	5.25%↓
Retail Warehouse (Restricted)	5.75%	5.75%	5.75%
Foodstores (OMR)	5.50%	5.50%	5.50%↑
Ind/Distribution (OMR)	5.25%	5.50%	5.50%↑
Industrial Multi-let	5.00%	5.25%	5.25%
Leisure Parks	8.00%	8.00%	8.00%
London Leased (core) Hotels	4.50%	4.50%↑	4.75%
Regional Pubs (RPI)	6.50%	6.50%	6.50%

Source: Savills

Time for a reality check?

You will have read enough about the Autumn Budget by now, so we hesitate to even mention it. However, while it has clearly not frightened the financial markets, it has left the fundamental questions facing this government around tax and spend unanswered. The commercial property investment market is at a similar juncture, with an optimistic outlook for the occupational markets in 2027, but yet again nobody able to point to what might change in the investment market.

Some commentators suggest that vendors need to be more realistic on pricing, and while this is always the case (especially from a purchaser's point of view), it probably isn't the whole answer. As the chart below shows, North American prices were 56% below their pre-Covid average in Q3 2026, compared to the UK at 34% lower. Investment volumes, however, are 49% above average and 6% below average respectively.

Are investors also suggesting that there is something more challenging around investing in the UK than other domains? There is no doubt that the perception of the UK as being politically stable has been weakened since 2016, but the comparatively higher bond-pricing doesn't seem to reflect the fact that Britain has been better at reducing its debt-to-GDP ratio than many of our competitors.

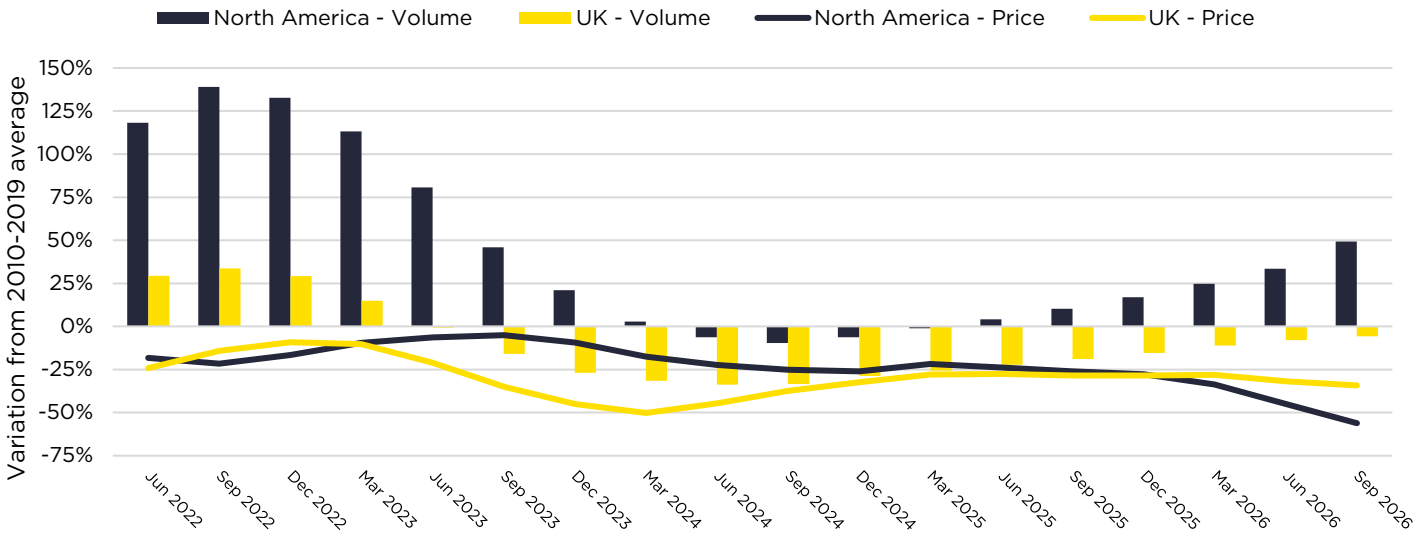
Investor perception is however much more important for the UK than for some of our competitors. Typically in excess of 50% of the buyers here are non-domestic, while in France and Germany it is more like 40%, and in the USA 10%. This means that the UK is much more exposed to periods of lower than normal cross-border activity, and this is the situation at present.

It is great for London to proclaim that it was the world's most popular destination for cross-border investment into real estate for 2016-2026, but this becomes a problem when global cross-border activity has fallen from $438bn in 2021 to $211bn in 2025.

So, what needs to change in 2027 for cross-border activity to return, and then rediscover the joys of UK real estate? The first hurdle is geo-political stability, and the optimist might suggest that after the US midterms and Israeli election, some of the heat in the Middle East might reduce.

A recovering global economy will follow on from reduced energy price stresses, and this will rebuild investors' purses. The question then comes about whether real estate is losing its lustre where returns from bonds, infrastructure and equities are higher. With the UK average prime yield at over 6% we believe that the sector is looking more competitive than it has for a while, and this should lead to a steady recovery in investor interest in 2027.

COMMERCIAL PROPERTY PRICES HAVE CORRECTED MORE IN THE USA THAN THE UK



Source: Savills Research from Real Capital Analytics data

Savills Research

We're a dedicated team with an unrivalled reputation for producing well-informed and accurate analysis, research and commentary across all sectors of the UK property market. To view copies of our previous Spotlight publications, go to **www.savills.co.uk/insight-and-opinion/**



Mat Oakley
Director - Research
020 7409 8781
moakley@savills.com



James Emans
Director - Investment
020 7409 8132
jemans@savills.com



Nick Penny
Director - Investment
0131 247 3803
npenny@savills.com

Savills plc is a global real estate services provider listed on the London Stock Exchange. We have an international network of more than 700 offices and associates throughout the Americas, the UK, continental Europe, Asia Pacific, Africa, India and the Middle East, offering a broad range of specialist advisory, management and transactional services to clients all over the world. This report is for general informative purposes only. It may not be published, reproduced or quoted in part or in whole, nor may it be used as a basis for any contract, prospectus, agreement or other document without prior consent. While every effort has been made to ensure its accuracy, Savills accepts no liability whatsoever for any direct or consequential loss arising from its use. The content is strictly copyright and reproduction of the whole or part of it in any form is prohibited without written permission from Savills Research.