



UK Real Estate in 2026: can anything rival 'prime'?



Matthew Norris and James Peel review what shaped UK real estate through 2025 and outline the themes they believe will matter most in 2026. They also explore how listed property continues to strengthen a diversified portfolio at a time when markets are increasingly focused on concentration and valuation risks.



2025 in review: a resilient year for listed property

The TM Gravis UK Listed Property Fund has so far delivered a double-digit return in 2025*, supported by strong income and healthy operational performance across its holdings. Distribution growth outpaced inflation and the Fund's yield, at around 5%, remained a key attraction throughout the year. Perhaps just as important, the Fund showed a low correlation to equity markets at a time when volatility was high. For investors, that defensive quality can prove valuable.

One of the big themes of the year was the return of meaningful M&A activity. UK REITs started 2025 trading at unusually cheap levels despite solid business models, and that gap between value and fundamentals drew in buyers. Six companies held in the fund were involved in transactions spanning care homes, logistics, GP surgeries and student accommodation. Confidence in the sector was also reflected in a sizeable equity raise late in the year, when Blackstone accepted Tritax Big Box shares above the prevailing market price as part-payment for assets — a clear signal that long-term investors still see strong potential in UK property.

Rental trends were mixed across subsectors. The private rental market remained buoyant, helped by "generation rent", while purpose-built student accommodation softened slightly. Even so, the broader direction of travel was positive, with rental growth supporting both income and capital values.

Looking ahead to 2026: improving conditions and more consolidation

The macro backdrop for 2026 looks more supportive than it did a year ago. Inflation is forecast to fall and bond yields should ease in response. This helps the valuation case for UK listed real estate and could act as a tailwind in the months ahead.

Against this backdrop, the team expects M&A activity to continue. Private equity remains interested in high-quality platforms with established brands, development pipelines and long-term tenant relationships. There is potentially also room for further consolidation within the listed market itself, as REITs consider public-to-public mergers to improve scale, liquidity and efficiency. For investors, these transactions can help unlock value and sharpen the operational focus of the resulting businesses.

Another theme likely to carry over from 2025 is the outperformance of high-quality, well-located assets. Prime stock remains in short supply and that shortage is most obvious in the London office market, where virtually no grade-A space is available in the best locations. The same dynamic is visible in logistics, care homes and parts of retail. Strong demand and limited supply are expected to keep rental growth ahead of inflation again next year.





Mega trends: where the team sees the best opportunities

Of the four mega trends the Fund invests in, Matthew highlights urbanisation as his pick for 2026. Valuations in this theme are particularly appealing, with several companies trading at levels that leave room for significant share price improvement. Workspace is one example where management actions could unlock further value, and for Great Portland Estates the West End rental backdrop provides additional momentum.

James highlights the ageing population theme as the steady anchor of the portfolio. GP surgeries and care homes continue to offer mid-single-digit income growing ahead of inflation, underpinned by both demographics and supportive government policy. Recent initiatives, including the NHS 10-Year Health Plan, reinforce the long-term demand drivers for modern, purpose-built healthcare assets.

Confidence heading into 2026

The team enters 2026 feeling positive about the Fund's opportunity set. Indicative dividend yields remain above 5%, dividend forecasts point to growth of around 4% or more, and analyst price targets suggest approximately 20% potential upside. UK REITs continue to trade close to a 30% discount to net asset value, and historically, investors who have bought at this level have gone on to generate strong returns over the following years.

If the sector can combine those attractive return prospects with the stability demonstrated in 2025, it could offer an appealing combination of income, resilience and upside.

The role of real estate in a diversified portfolio

As questions grow around the sustainability of AI-driven valuations and the concentration of returns in a small number of technology stocks, UK real estate provides a useful counterbalance. Next-generation REITs offer predictable income from essential assets and have historically performed well when growth stocks have stumbled. During the dotcom bust, for example, UK REITs delivered strong returns even as the Nasdaq fell sharply over a period of several years.

For investors entering 2026 looking to diversify risk, secure income and maintain exposure to long-term structural themes, UK listed property remains an important building block — and, in many cases, an underappreciated one.

**Source: Gravis Advisory Ltd and Bloomberg, 31 December 2024 to 30 November 2025, total returns after charges.*





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