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Commercial Property Market Review June 2025

City investment rebounds with biggest deal in over a year as recovery continues

London City's investment market continued its recovery in April according to Savills.

Its City Investment Watch reported £485.9m transacted across four deals, bringing total year-to-date volume to £1.35bn across 20 transactions. This was triple the total in April 2024, although still 28% below the five-year average. These bigger deals are crucial, typically accounting for around 70% of the City's annual turnover and the return of larger deals is helping to lift volumes.

The standout was State Street's £382m purchase of 100 New Bridge Street, the City's largest deal since March 2023. The 194,000 sq. ft development is due to complete in early 2026 and will become State Street's new London headquarters. Savills is currently tracking over £1bn under offer, suggesting further signs of confidence in the market ahead.

Retail investment bounces back in April but confidence remains fragile

The retail sector rebounded sharply in April according to Colliers.

Retail investment volumes rose from a revised £380m in March to £1.1bn in April, well above the five-year monthly average of £680m, according to Colliers' May Property Snapshot. The strong month lifted the year-to-date total to £2.4bn, broadly in line with 2024. One of the biggest transactions was Farren Investments' £114m purchase of Lakeside Retail Park in Grays at a 6% yield.

On the occupier side, April brought a modest recovery in sales volumes, up 1.2% on the month and 5% year-on-year. Volumes are now slightly above pre-pandemic levels. However, higher retail price inflation and a fall in consumer confidence to a 17-month low, highlight the fragile backdrop. Retail rents rose 2% year-on-year, while nine retailers have entered administration in 2025, impacting 283 stores across the country.

Scottish property investment steadies as average deal size hits three-year high

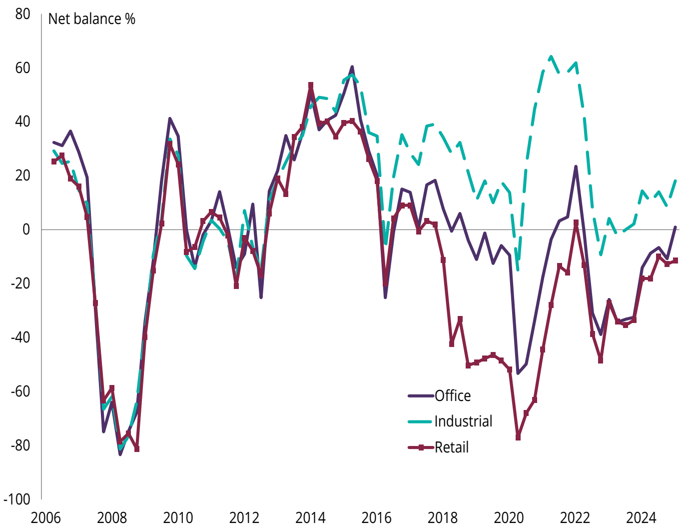
Scotland's commercial property market saw a steady first quarter, with investment volumes totalling £430m, according to Colliers.

While down from £520m in Q4 2024 and 7% below the five-year average, Q1 2025 volumes were ahead of the same period last year. A total of 27 deals were completed and the average lot size reached £16m, the highest in nearly three years. Offices and apartments, including purpose-built student accommodation, accounted for 70% of activity.

The largest transaction was Pontegadea's £75m acquisition of a core office at Capital Square in Edinburgh, reflecting a net initial yield of 5.75%. Glasgow led the quarter with nearly £220m in deals, followed by Edinburgh at £170m and Aberdeen at £120m. While short-term risks persist due to global uncertainty, Colliers expects that falling debt costs and likely interest rate cuts will support a market recovery later in the year.

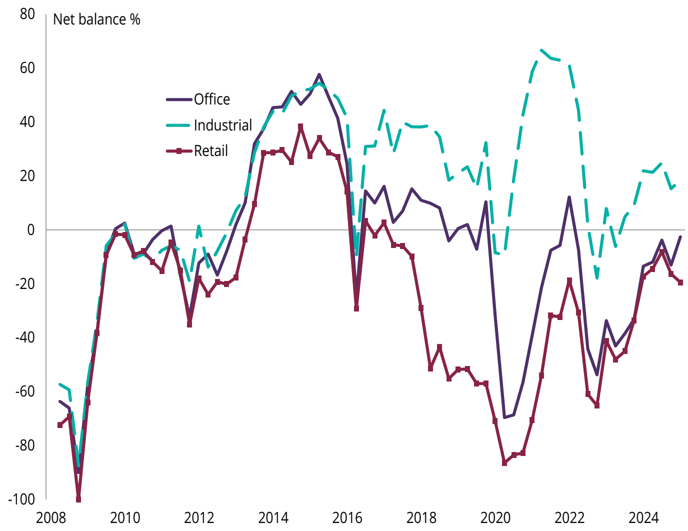
Commercial property outlook

Investment enquiries – broken down by sector



- The headline net balance for investment enquiries in Q1 2025 was +4%, up from -4% in Q4 2024
- The net balance reading for office investment enquiries recovered to +1% following a negative figure of -11% in the previous quarter
- A Q1 reading of -11% for retail signals continued weakness in investor demand across the sector.

Capital value expectations – broken down by sector



- Capital value growth prospects over the next twelve months for prime industrial and prime office assets are envisaged to be around +2%
- Data centre valuations are projected to rise by around +4%
- Leisure values are expected to come under slight downward pressure in the year ahead.

Source: RICS, UK Commercial Property Monitor, Q1 2025

Hybrid tensions drive office 'rightsizing' as businesses seek better space use

Knight Frank's 2025 Your Space survey reveals a corporate real estate sector still in transition.

The survey gathered insights from 300 global corporate real estate leaders overseeing more than 650 million sq. ft of space. As hybrid work patterns have disrupted office use, firms are responding by 'rightsizing' rather than retreating. More than a third of senior leaders reported being dissatisfied with how much of their workplace was being used, with inconsistent attendance leaving large areas underutilised.

Improving how offices are used and matching space to how people work were top challenges, with 55% of respondents agreeing rightsizing their property portfolio was their biggest concern. Half expect their real estate footprint to grow over the next three to five years, potentially adding 104 million sq. ft globally, while just 20% anticipate a reduction. Companies are also building flexibility into their strategies through shorter leases, modular formats and diversified locations.

All details are correct at the time of writing (18 June 2025)