Commercial & Residential

MARKET UPDATE

July 2025

allsop

Economic Overview

The IMF's July assessment of the UK's macroeconomic position contained some relatively stormy warnings. With 'stagflation' once again being whispered and the fiscal headroom she created herself last October now wiped out, Rachel Reeves would be forgiven for viewing the rest of her tenure at Number 11 with trepidation.

Government borrowing for the last financial year reached £151.9Bn, exceeding official forecasts. The tax burden is now projected to rise to 37.7% of GDP by 2028/29, representing the highest level since 1948. The debt-to-GDP ratio remains elevated at 95.8%, whilst the Chancellor's £25Bn national insurance hike has clearly begun to impact business operations and employment decisions, as well as having an upward effect on inflation.

"Difficult decisions will likely be needed beyond the medium term to address new expenditure pressures and rebuild fiscal buffers…The UK has limited space to accommodate these pressures through borrowing, given that public debt is relatively high, the interest bill is larger than in other Advanced Economies, and additional buffers would be beneficial to reduce vulnerability to market pressures. Tough fiscal choices will therefore be needed." - *(IMF UK 2025 Article IV Consultation)*

Inflation Trends

The inflation landscape has evolved since our last update, with the Consumer Price Index (CPI) inflation rising to 3.6% in June from 3.4% in May – 100 basis points (bps) higher than the relatively encouraging 2.6% recorded in March. This increase was largely driven by regulated prices and previous energy cost increases.

Core CPI inflation reached 3.7% in June, up from 3.5% in May, reflecting broadening price pressures. Underlying services price inflation has remained elevated across a broad range of measures, with little change since late 2024. Food and non-alcoholic beverages inflation increased to 4.5% in June, driven by higher wholesale prices for beef, cocoa beans, and coffee, alongside labour and packaging regulation costs. Goods inflation reached 2.4% in June (largely due to new trade tariffs), while services inflation eased to 5.2%.

Monetary Policy Response

The June Monetary Policy Committee (MPC) meeting minutes indicated that the Bank expects inflation to remain broadly at current levels throughout 2025 before falling back towards the 2% target next year. This revised trajectory reflects what the Bank still refers to as "temporary inflationary pressures" – yet the longer the UK's data diverges from EU and US paths, the more such pressures appear permanent.

At its June meeting, MPC members voted by a majority of 6-3 to maintain Bank Rate at 4.25%. Market expectations for Bank Rate cuts have moderated, with markets still expecting 50 bps of cuts this year. Optimism is growing for a close vote in favour of a cut when the MPC meets in early August. ►

Economic Overview

Labour Market Conditions

The labour market continues to loosen with clearer signs of slack emerging, though pay growth remains elevated above what economic fundamentals would suggest. While the UK has historically maintained strong employment rates compared to OECD and EU peers, this apparent success has masked deeper structural issues, including regional disparities, skills shortages, and rising economic inactivity post-pandemic.

The employment picture points to a labour market actively rebalancing and adapting to new economic realities. The ONS figures show payrolled employment has fallen by 143,000 since October 2024, with a further 75,000 reduction in the three months to May, and an initial estimate suggesting another 41,000 fall in June. The 16-64 employment rate has fallen to 75.0% in May 2025, down from its peak of 76.4% in April 2023.

Wage Growth and Productivity

Nominal average regular earnings growth was 5.0% in the three months to May, down from 5.3% in the previous period. Private sector nominal pay growth has shown a significant fall - annualised quarter-on-quarter growth was 3.7% in the three months to May, down from 4.3% in the previous period. Both public and private sectors have experienced considerable nominal earnings increases, though the pace is expected to decelerate as firms continue absorbing higher labour costs following the 2024 Budget.

Perhaps the most concerning area is productivity, which remains significantly below that of comparable economies such as France, Germany, and the United States. This productivity gap has widened since the 2008 financial crisis, with UK productivity growth particularly sluggish over the past fifteen years. This failure to maximise productive capacity – or employee ennui – is potentially responsible for the ongoing wage inflation strength.

The IEA has identified several contributing factors to this stagnation, including over-regulation of employment practices, occupational licensing requirements, and complex dismissal laws. Labour mobility is currently hampered by high housing costs in growth areas and dysfunctional planning rules – an issue that Angela Rayner's drive to deliver 1.5M more homes may help address long-term.

Consumer Confidence and Spending

Recent data indicates a notable dip in overall consumer confidence, marking the first significant decline since late 2022. This downturn was largely attributed to weakening job security outlook and ongoing personal debt concerns. Card spending recorded a marginal year-on-year decline in June, though furniture stores saw their highest growth in activity in over two years, potentially linked to recent increases in mortgage completions following the SDLT cliff in April. ▶

Debt Markets and Fiscal Challenges

UK debt markets have entered a period of renewed volatility through Q2 and into Q3 2025, primarily driven by increased public sector borrowing. July's figures revealed government borrowing exceeded forecasts by £4.2bn, intensifying concerns over fiscal sustainability and prompting a marked repricing of UK sovereign risk.

The Office for Budget Responsibility's latest projections indicate the government is on course to breach its self-imposed borrowing limits, fuelling market uncertainty and upward pressure on debt costs. Investors, already wary of the UK's elevated debt-to-GDP ratio, are demanding higher yields, particularly at the long end of the curve.

The Bank of England's quantitative tightening programme continues to drain liquidity from the gilt market, amplifying the impact of increased government issuance. This has translated into higher gilt yields, with 10-year yields reaching a 16-month high of 4.85%, and a notable uptick in swap rates—5-year SONIA swaps have risen by over 40 bps since late May. The widening gap between 5-year and 30-year gilts signals growing concern over long-term fiscal sustainability, with the 5-year/30-year spread reaching 100 bps this year for the first time since 2021.

International Trade Impacts

On a positive note, the expected price pressures from Trump Trade tariffs have yet to fully impact either the US or UK economies, due partly to deep pre-tariff stock inventories and larger firms absorbing part of the costs. The 'Brexit Bonus' conferred on the UK via a more favourable US trade deal than that secured by the EU, alongside the new India-UK trade deal, could help direct investment towards Britain.

Tariffs have significantly impacted FX markets. While theoretically the US$ could strengthen against other currencies, with nations like China potentially devaluing their currencies to offset tariff impacts, recent months have seen the opposite. Uncertainty and wider federal debt concerns have repriced dollar risk downwards, with the US$ weakening against both Sterling and the Euro. Goldman Sachs expects the euro to reach $1.20 and the pound $1.39 by mid-2026. As the values of major currencies continue to fluctuate in the coming months, more opportunities for value will likely emerge.

Real Estate Market Implications

These broader economic conditions and uncertainties may be triggering a 'real estate retreat' – a movement of capital into tangible, relatively low-risk and inflation-proof investments. Growing evidence in prime and upper-tier secondary markets suggests UK commercial real estate markets have bottomed out and are now on an upward curve. London office leasing voids appear to be shortening as occupier demand picks up, and transactions in the office sector, particularly from owner-occupiers, have also increased.

New housing delivery remains critically low, particularly in London, creating a supply/demand imbalance in the residential market. Until the first rung of the housing ladder becomes more accessible, the rental market will continue to see above-inflation growth. The government's drive towards professionalisation of the private rented sector is now reaching its final phases through the Renter's Rights Bill, Decent PRS Homes Standard, and the attrition of non-compliant Buy-to-Let stock.

Conclusion

The Chancellor and Bank of England are now trying to steer a safe course between their respective Scylla and Charybdis: the Government facing a difficult balancing act between further spending restraint and the risk of breaching its own borrowing limits if it does not somehow increase tax revenues; the Bank of England grappling with rising prices and inflation plateauing well above target, while growth and employment judder to a halt.

The next few months look set to be quite the Odyssey.

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City & City Fringe Investment Market

We have experienced another increase in transaction volumes in Q2 2025 **with £1.114 Bn across 24 transactions.** The continuing increase in transaction volumes reflects improving market sentiment but remains **approximately c.35% down on the five year average.**

The average deal size of circa **£46.45M is slightly down on last quarter,** partly due to the increased number of transactions, **however sustaining the steady increase in larger lot sizes trading,** with three £100M + lots having transacted this quarter taking the annual total to six, 50% more than in the whole of 2024 at the half way point. There are positive signs of confidence returning in the office market for larger lot sizes.

The largest transaction of the quarter was State Street's forward purchase of **100 New Bridge Street, EC4** for £333M/ £1,709 per sq ft from Helical & Orion for their own occupation. This landmark transaction is significant in that it shows a major overseas bank relocating from a lease in Canary Wharf to owning their own office in the City core. It's the largest transaction in the City since Q1 2023 and continues the trend of the prevalence of owner occupier purchases as prime Grade A rents continue to increase.

Following two interest rate cuts in 2025, so far, bringing rates to 4.25%, most analysts are anticipating **a further two cuts** during the second half of 2025 which should encourage more activity. However, the introduction of Donald Trump's sweeping tariffs caused some uncertainties and a shift in global priorities stalling a bit of the positive momentum generated through Q1.

We **anticipate further downward further pressure on prime yields** going into the second half of the year but they currently remain relatively stable in the City **around 5.25% - 5.5%.**

We are seeing improved vendor sentiment to launch sales at rebased pricing and more end of business plan sales. The 'wait until later in the year' attitude seems to have been replaced with a realisation that yields, particularly for secondary assets, are not shifting quickly with more opportunistic purchasers looking to take advantage.

Allsop are currently tracking just over **£1.43Bn of transactions** which are under offer across 26 deals suggesting transaction volumes will continue their upward trajectory, however, deals are taking longer to transact and with the summer upon us it will be interesting to see how many reach transactional exchange prior to September. There are close to 15 properties which have had bids called for or will have received offers prior to the summer as owners try to keep momentum in marketing processes.

Office investors are driven by location more than ever with the City Core (Bank, Moorgate and Liverpool Street) being the focal point. Then the profile of the asset becomes more significant; core assets need to have strong ESG credentials, be fully let and income producing and require minimal if any cap-ex going forward. If it is value-add there needs to be a defined block date for repositioning. Core plus assets that fall in-between run the risk of being priced into value-add. ▶

Who is buying?

The **nationality of the purchaser pool was evenly spread in terms of volume again,** with investment from America taking pole position in terms of volume (£396.5M) but skewed by State Street's acquisition. Asian/ Australian Investment was second at £312M, again generated by only two large transactions. UK Investors accounted for two thirds of the transaction volume by number (16) with a total of £298.9M; the majority of these were change of use-led acquisitions, notably hotels and serviced apartments.

Two themes from the previous quarter remain even more prevalent. The dominance of the owner occupier and alternative investment; those looking to convert offices into aparthotels or residential (co-living, via Permitted Development or private sales).

The UK Funds are also making a return to the City with M&G emerging as the surprise purchaser of a prime value-add repositioning opportunity at **Equitable House, 47 King William Street, EC4.** This corner freehold office building owned by DWS was multi-let to five tenants with potential for vacant possession in December 2026. After a competitive bidding process M&G were revealed as the buyer at £35.15M/ £782 per sq ft and a yield of c.8% on the topped-up income. The building has excellent 'bones' and some of the tenants wish to re-gear, so this could become more of a core plus business plan.

The living and hotel sectors remain very active accounting for 50% of transactions this quarter. There were five transactions £25M and above, including two acquired by renowned budget hotel operators. Travelodge, purchased the new 155 year long leasehold interest in **6 Broad Street Place & 15-17 Eldon Street, EC2** from the City of London, an iconic building located opposite the Elizabeth line entrance to Liverpool Street station. Travelodge were able to outbid office developers in one of the strongest micro-locations in the City with rents of £100 per sq ft plus being achieved opposite in Broadgate, showing the desire for hotel operators to invest in these core locations backed by a more supportive local authority from a planning perspective.

The two largest deals of the quarter, **100 New Bridge Street, EC4 and Capital House, 85 King William Street, EC4** were acquired by owner occupiers; State Street Bank (full occupation) and Daiburu (partial occupation). Both prices paid reflected investment value with Capital House providing interesting evidence for a multi-let freehold adjacent to Bank station which has been refurbished by Barings on a rolling basis since their purchase in 2020. The building was acquired with one floor vacant which Daiburu intend to occupy, for a price of £169M reflecting £1,391 per sq ft and a yield of 4.96%. The building is multi-let off average rents of £70.29 per sq ft and shows a WAULT to expiry of 7.6 years and break of 5.8 years. The yield demonstrates how owner occupiers are prepared to pay a premium for the best assets.

Who is selling?

The pool of vendors is as varied as ever with a mix of nationalities, private and institutional capital. Four of the 24 transactions were **UK fund-led** including Senator House (£63.5M) however two of the larger sales were from German Institutional capital, notably Union Investments and DWS.

The sales of both 100 New Bridge Street and Capital House by IRR-driven vendors, **Orion Capital** and **Barings.** These sales show there is a market to exit 'best in class' assets at premium pricing for sellers who wish to explore it. Both buildings were perfect for their respective purchasers' business plans and arguably investment value was realised. We expect that these sales will drive more value-add exit strategies to explore a sale to the owner occupier market or some of the increasingly active Asian (mainly Japanese) investors who are keen to invest in the London markets while pricing remains at a discount to the long term average.

With reports that the City of London is cooling their relaxation of office to hotel planning applications, we can see this exit route becoming more challenging for vendors as the viability of the conversion gets increasingly scrutinised. This quarter **La Salle & Al Gurg** capitalises on the relaxation of planning policy disposing of c.60,000 sq ft of office space just off Lombard Street at **29 St Clements Lane, EC4.** Whilst traditionally a core office location, the building offers poor prominence and natural light, lending itself well to a hotel conversion. Tristan Capital Partners acquired this as well as a smaller hotel opportunity at **Northumberland House, High Holborn, WC1** from Swiss Life AM for conversion. ▸

City & City Fringe Investment Market

Headline Deals

The largest non-owner occupier deal of the quarter was Aware Super and Delancey's acquisition of **Finsbury Circus House, EC2.** Redeveloped by Union Investments in 2012, the building is multi-let to four tenants off average rents of £61.34 per sq ft showing a WAULT to expiry of 6.1 years and breaks of 4.8 years. Delancey and Aware Super, one of Australia's most active pension funds, acquired the building for £143M reflecting £1,098 per sq ft and a yield of 5.48%. This historically strong pricing for a building that was redeveloped in 2012 reinforces the attraction of core locations, particularly those between the Elizabeth line entrances of Moorgate and Liverpool Street and overlooking Finsbury Circus.

Long leasehold transactions are increasing in prevalence as investors widen their investment criteria as market sentiment improves. This quarter saw four long leaseholds trade including **Senator House, 85 Queen Victoria Street, EC4** by Addington Capital/SVP from Legal and General for £63.5M reflecting £421 per sq ft and c.10% yield. The building was originally launched for sale in 2021 for £157.3M. **Allsop advised** on two long leasehold transactions; the acquisition of **41-42 Trinity Square, EC3,** an attractive long leasehold property near the Tower of London for £7.85M/ 9.21% (topped up) / £405 per sq ft on behalf of Mazabi and the sale of **10 Throgmorton Avenue, EC2** on behalf of REIM. This property, a recently regeared long leasehold interest (148 years at 10% gearing) was multi-let to six occupiers off passing rents of £55.52 per sq ft with a WAULT of 3.15 years to expiry and 1.27 years to breaks. LM Stern purchased the long leasehold interest for £16.375M reflecting 7.16% yield and £654 per sq ft.

Direction of Travel

With the market quieting down for summer we are anticipating purchasers will be focusing on the transactions in hand. There is a reported total of **£1.43BN** under offer and with marketing processes being drawn to a close ahead of the summer we expect Q3 to be quite telling in terms of which buildings transact successfully.

There is improving confidence in disposing of larger lot sizes, whether this be sales of core end of business plan stabilised income, such as Capital House, or larger value-add product where there is a clear drive from the private equity houses to invest in buildings which can be transformed into best-in-class office space where there is now more evidence of exit liquidity.

The continued recovery in the office market remains very much focused on freehold core well-let assets with no capital expenditure required in very strong locations and conversely value-add projects presenting the ability to create 'best in class' accommodation, in the best locations. However, **four geared long leaseholds have transacted** this quarter which is more in a quarter since Q3 2023 and is certainly reflective of improving sentiment with the widening of investors criteria.

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City Office Leasing

The City market has remained resilient in Q2 2025 with 1.4M sq ft of leasing activity having taken place, which aligns with the long term average. Of this space, 80% of the take-up was of Grade A quality — the highest quarterly share on record, however mainly being driven once again by the pre-let market. This places the Grade A volume 40% above the 10-year quarterly average, reaching 1.12M sq ft.

A total of 50 deals were transacted in Q2, resulting in the highest average lot size on record at 28,000 sq ft. This was driven by several major pre-let transactions, most notably Squarepoint acquiring 400,000 sq ft at **65 Gresham Street, EC2** on an off-plan pre-let — the largest deal in Central London since HSBC's pre-let of **Panorama, EC1** in 2023. We anticipate Q3 2025 will see a drop in take up with such vast quantities of space having been removed from the market.

City prime rents have continued to grow across Q2 2025, having witnessed a further 2% increase since last quarter, now reaching to £93.50 per sq ft, up 2% from Q1 and 7% year-on-year. Best in class rents are now hitting £130 per sq ft plus on tower floors illustrating this growth. Despite economic uncertainties, the drive for best in class space has continued and we anticipate this upwards pressure on rents to continue through to the end of 2025 and beyond.

Under offers declined to 1.1M sq ft at the end of Q2, representing a 31% decrease against the 10-year average and the lowest figure since 2016.

The scarcity of development continues to drive the flight to quality observed in recent quarters and therefore drives the pre-let market with a handful of major acquisitions in the past quarter. Completions in Q2 totalled 2.2M sq ft, with an impressive 90% pre-let. An additional 8M sq ft is under construction across the market, with 29% pre-let as of the end of Q2. Just over 50% of this pipeline is scheduled for completion in Q2 2025, leaving just over 4M sq ft being delivered between 2026 and 2030. With this in turn, we have continued to see re-gears dominate the market with 60% of those with requirements over 100,000 sq ft staying put in the last quarter due to the quality and quantum of space being unavailable within their time frames.

Given the continued occupier preference for best in class space, this points to a significant shortfall in the delivery of new stock over the medium term, which is likely to result in further erosion of Grade A supply over the following quarters. ►

City Office Leasing

70 Mark Lane, EC3

98 Theobalds Road, WC1

The Gilbert, EC2

The Folgate Building, E1

Moretown, E1

Panagram, EC1

60 Moorgate, EC2

Headline Market Deals

Key completions in Q2 2025 were Squarepoint's off plan pre-let of 400,000 sq ft at **65 Gresham Street, EC2,** State Street acquiring 195,000 sq ft at **100 New Bridge Street, EC4** for their own occupation, Lego acquiring 192,000 sq ft at **76 Southbank, SE1**, London School of Economics and Politics taking 190,000 sq ft at **Centrium, 61 Aldwych, WC2,** and ISAM Funds acquiring 37,500 sq ft at **40 Leadenhall, EC3.**

Allsop Transactions

The City leasing team continued a run of success in Q2 2025. Key completions have been the re-gear of 85,000 sq ft on behalf of Miller Insurance at **70 Mark Lane, EC3,** acting for Sony Music UK to acquire 16,000 sq ft at BMO's **98 Theobalds Road, WC1**, Cleo acquiring 15,700 sq ft at Brookfield's **The Gilbert, EC2,** The Investment Association acquiring 9,000 sq ft at CLI Dartriver's **The Folgate Building, E1,** Gensler UK acquiring a further 8,000 sq ft at Resolution's **Moretown, E1.** Duco Technology acquiring 7,000 sq ft at Dorrington's **Panagram, EC1** and Hamburg Commercial Bank acquiring 4,000 sq ft at Thor Limited's **60 Moorgate, EC2.**

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West End Investment

The West End recorded **£995M of transactions during Q2 2025** either exchanged or exchanged and completed in **23 transactions** with an **average transaction size of £43M.**

Three of the deals for the quarter exceeded **£100M,** two of which were acquisitions by Delancey/Aware Super for **15-20 Manchester Square** for £118M, 5.20% NIY and **11-12 Hanover Square** for £170M, 3.86% NIY. The third was a corporate acquisition of the Argyll serviced office platform by Crosstree Real Estate. The reported price in the press of £330M was for a business which encompassed 25 Business Centres including around 10 which were owned outright – split broadly 55% West End and 45% City.

It brings the year total to date to £2.645Bn, 44 transactions – ahead of this point last year and 25% ahead of the half year 5-year average of **£2.057Bn.**

Q2 continued to see an increasing depth of buyers for some assets, driving competitive tension and leading to assets selling significantly above the guide in certain instances – an example of this is the sale of **Screen House, 119-123 Wardour Street, W1** by Lothian Pension Fund – a prime Freehold office refurbishment opportunity with immediate vacant possession. The property had over 80 inspections and around 15 bids with buyers drawn in by the prospect of a high-quality refurbishment and the ability to capitalise on a strong office rental market. The property was purchased by DWI, their first London acquisition, for £29.12M reflecting £1,142 per sq ft - c. 16% ahead of the guide price.

Unlike Q1, where only one leasehold traded, we have seen a resurgence in Leasehold assets sold, accounting for 25% of this quarter's transactions.

Who is Active?

Over the course of this year, the depth of buyers for well-located offices has increased markedly, and the sector is back on the shopping list for funds, propcos and privates alike, attracted by strong returns being driven by rental growth. Indeed, most noticeable has been the greater depth for the larger lot sizes.

REITS and funds had a large part to play in terms of purchases this quarter with Australian pension fund Aware Super dominating the transaction volumes to the tune of close to £300M. We have seen buying activity from Aberdeen, Shaftesbury Capital, Ares and Aermont. While the smaller lot sizes have continued to be attractive to Private's and UHNW investors. We have seen a number of new entrants to the market this quarter with purchases by DWI, Victory Group and 3RE. ▶

Headline Deals

20 Manchester Square, W1 and **11-12 Hanover Square, W1** were both purchased in excess of £100M and underwent competitive bidding processes. Patrizia have now concluded the sale of **11 Baker Street, W1** to Aermont / 3RE. The deal was for the Long Leasehold interest from the Portman Estate and comprised a redevelopment opportunity with it benefitting from vacant possession in October 2026 – Purchased for £56.5M reflecting 6.93% NIY and a £806 per sq ft.

Orchard Street sold **27-35 Mortimer Street, W1** in Fitzrovia to Aberdeen for £48.25M for their Borders to Coast fund. Royal London have sold their Freehold interest in **149-151 Oxford Street, W1** to a Private Owner Occupier for £63M reflecting £1,921 per sq ft. The building comprises a mixed-use office and retail building of 32,795 sq ft. Aberdeen sold **24-28 Bloomsbury Way, WC1** to Danish investor Habro for £41.25M reflecting 4.56% NIY and £924 per sq ft – another very competitive process – the property provided 5 year income off a very low rent and with future repositioning angles.

Allsop West End team advised Shaftesbury Capital on their off-market purchase of 16-18 Beak Street, Soho, W1 for between £19-20M.

Direction of Travel

Looking forward to the second half of the year, we expect to see the continuation of a wait-and-see attitude from some investors, with a large amount of stock overhanging the market. As buyers can be highly selective, economic turbulence is likely to emphasise this.

However, there are continued positive signs that the market will continue to improve, supported by another expected rate cut and a strong occupational market. Demand for core West End assets is expected to remain strong.

We are tracking close to £1.3Bn of assets under offer, including **1 Newman Street, W1** - under offer to Royal London for a reported c.£260M, around 4.3%-4.4% NIY – this had been quietly tested c 18 months ago by GPE who elected to hold at the time when offers were apparently received around 75bps short of where it is now under offer at. **101 New Cavendish Street, W1** is also under offer to Ares for around £100M.

Depth of buyers for “the right stock” is only increasing – as evidenced by **24-28 Bloomsbury Way, WC1** which had multiple rounds of bids taking pricing from £35.5M, 5.3% NIY, to £41.25M, 4.56% NIY and **11-12 Hanover Square, W1** which went well in excess of the guide price of £160M, 4.10% NIY.

Since April, we have seen around 40 assets formally launched for sale, equating to £1.9Bn+ of value in the West End. We are always keen to catch up to run through market opportunities.

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West End Office Leasing

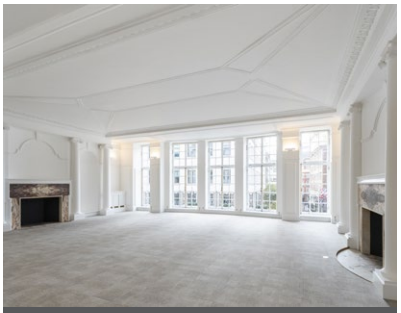
Despite continued market uncertainty, the outlook for occupational demand remains robust in the West End office leasing market. Q2 2025 take up was 985,000 sq ft which is a 15% increase from Q1 although still below the 10 year long term average. Year to date take up sits at 30% increase on the same point last year and the number of large transactions of over 50,000 sq ft that have completed has reached its highest level since 2019.

Headline Allsop Deals

Whilst we continue to see many office occupiers wanting to be located on as few floors as possible, we were delighted to conclude 2 lettings in Q2 of outstanding self-contained buildings. These two deals demonstrate that having ultimate control of a building and the experience provided can still be desirable to certain businesses.

29 Queen Anne Street, London, W1

Disposal of 6,191 sq ft newly refurbished self-contained period building on behalf of the Howard de Walden Estate. Successfully let to J&A Beare Ltd on a 15 year term.



13 Berkeley Street, London, W1

Disposal of 8,655 sq ft self contained building in prime Mayfair location on behalf of Viridis Real Estate. Successfully let to market leading fashion brand Hermes.

Headline Market Deals

The return of large headline deals to the West End has been the most notable aspect of the improved performance in Q2 2025. The largest recent deals include Life Arc taking 70,000 sqft at **Kova KX, 105 Judd Street, WC1,** CDR taking 62,500 sq ft at GPE's **30 Duke Street, SW1** and most notably McDermott Will & Emery taking a market leading pre-let of 115,000 sq ft at **The Lazari Building, 7 Brook Street, W1.**

What is the Direction of Travel?

At the top end of the market, Mayfair prime rents continue to edge higher, rising to a new prime level of £170 per sq ft in Q2 2025, driven by the severe stock shortages that have developed in the sub-market with new Grade A vacancy sitting at just 0.6% of total stock. **Prime Mayfair rents have grown by 21.4% over the past 12 months,** the strongest growth of any submarket across the West End. It appears that rents on Grade B space are now also increaswing, rising to £95.00 per sq ft, following an extended period of disconnect between the very best space and everything else.

Furthermore, outside of Mayfair and across the West End we are increasingly seeing improved demand from increasing numbers of occupiers seeking value opportunities whether that be good quality space in fringe locations or more secondary spaces in the West End core.

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National Investment Market Overview

Offices

Overview

Subdued transaction volumes, a clear flight to quality, and a widening divergence between prime and secondary assets define the South East and wider regional office markets in H1 2025.

Investor demand is focused on Grade A, ESG-compliant buildings in resilient micro-locations, while secondary and obsolete stock faces significant pricing pressure. This pressure is most acute where refurbishment is not economically viable or where alternative uses - such as residential conversion - are constrained by planning or market fundamentals. The resulting lack of liquidity in these segments of the office market is a direct consequence of limited exit strategies and the high costs associated with bringing assets up to modern standards. While the market for permitted development opportunities persists, particularly for well-located assets, appetite has thinned considerably as viability challenges surrounding Gateway 2 and limited stock have reduced the pool of active buyers.

Asset quality, tenant covenant, and long-term relevance remain the key drivers of both investor and occupier decision-making, with landlords of best-in-class offices able to command premium rents amid constrained new supply.

Who is Buying?

- **French SCPI Capital:** Remains the most active cross-border buyer group, targeting well-let core+ stock with yields of 7.50% and above.
- **Middle Eastern HNWI and Israeli Capital:** Focused on long-income, out-of-town opportunities, especially where asset quality and tenant covenant are strong.
- **Domestic Private Investors and PropCos:** Active in both the South East and regional cities, particularly for value-add and multi-let assets in established markets.
- **Opportunistic Private Buyers:** Focused on discounted or repositioning opportunities, especially where refurbishment or change of use can unlock value.

Who is Selling?

- **UK Institutions:** Continuing to rebalance portfolios, with a focus on disposing of non-core or secondary assets.
- **Receivers/Administrators:** Distressed sales are emerging, particularly for assets with high vacancy or significant capex requirements.
- **Private Investors:** Some are taking profits on resilient assets, while others are exiting legacy stock facing obsolescence or high refurbishment costs.

Off-market deals remain prevalent, especially for larger lot sizes, with many of these transactions conducted on a one-to-one basis.

Deal Highlights

- **Baskerville House, Birmingham:** c.200,000 sq ft multi-let office providing 2.8 years to breaks. Acquired by Priory RE from Hermes. The property traded in June 2025 for £37.7M / 9.96% NIY / £186 per sq ft
- **101 Embankment, Manchester:** c.170,000 sq ft multi-let office building providing 10.2 years to breaks. Acquired by Melford Capital from M&G. The property traded in June 2025 for £75M / 8.61% NIY / £439 per sq ft
- **The Yard, Maidenhead:** c.18,000 sq ft multi-let office building providing 4.2 years to breaks. Allsop acted for the purchaser, completing the transaction in June 2025 on behalf of a Private Investor for £6.15M / 9.33% NIY / £337 per sq ft. The property was acquired from DTZ Investors
- **One Suffolk Way, Sevenoaks:** c.16,000 sq ft multi-let office providing 4.6 years to breaks. Allsop acted for RO Group in disposing of the asset, completing the transaction in April 2025 at a price of £6.1M / 8.29% NIY / £380 per sq ft. The property was acquired by a local Private Investor
- **Q West, Brentford:** c.54,000 sq ft multi-let office building. Allsop acted for Workspace plc in disposing of the asset, completing the transaction in April 2025 at a price of £10.25M / £215 per sq ft. The property was acquired by a Private Investor

The average discount from quote to achieved price in Q1 2025 was 20%, an improvement on previous periods, reflecting a more realistic approach to pricing from vendors. ▶

National Investment Market Overview

Offices

Direction of Travel

The outlook for the remainder of 2025 is one of cautious optimism, underpinned by a clear flight to quality. Investors are prioritising prime, ESG-compliant assets in locations with resilient occupier demand. High-quality, well-located stock is increasingly scarce, with new development pipelines constrained, supporting premium rents for Grade A assets. The pricing gap between best-in-class and legacy stock is widening, with **secondary yields now between 10.00% and 12.50% NIY (softer for larger lots), while prime yields have stabilised at 7.25%–7.50%.**

Businesses are once again viewing office environments as essential hubs for collaboration and culture, with **nearly three-quarters of occupiers relocating within the same city** choosing to increase their office space in 2025. Asset quality and ESG compliance are now baseline requirements, with **'Excellent' and EPC A/B ratings expected as standard.** Out-of-town, poor-quality assets requiring near-term capex have seen the greatest pricing softening, with investor interest increasingly dictated by lot size and micro-location. Income return is re-emerging as the primary performance driver, with modest capital growth expectations. **The market is expected to remain highly selective, with a growing divergence between best-in-class and legacy stock shaping investment strategies for the remainder of the year.**

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Retail Warehouse

Overview

Year to date retail sales are up +2.4% with volumes up +1.4% year-on-year. Volume growth in April was a return to pre-covid era growth, largely driven by summer sales.

Macroeconomic pressures including business rates reform, national insurance changes, and minimum wage increases present headwinds. Fortunately, historic rent rebasing and portfolio right-sizing have left many retailers better positioned to weather these challenges. However, Hobbycraft, Poundland and River Island have recently announced restructuring plans, where a more aggressive approach has been required.

Retail is once again regarded as a credible and investable asset class, underpinned by a significantly improved occupational backdrop. This renewed resilience and positive momentum is prompting many owners to retain assets rather than bring them to market. Retail delivered a +7.8% total return in 2024, almost matching industrial's +7.9% and beating the MSCI All Property Index for the third consecutive year.

Supply and demand

Investment volumes reached £1.48bn in H1, a 78% increase year-on-year and the highest H1 total since 2022. Volumes were driven by a large number of deals completing in Q1, many of which were a hangover from Q4 2024. However, activity is increasingly being constrained by limited stock availability, despite ongoing investor demand, much like the other retail sub-sectors.

Deals

A number of larger lot size investments and portfolios traded during the period suggesting buyer demand for aggregating retail warehousing platforms remains strong. In one such transaction, **Realty acquired schemes in Solihull and Crawley from Delancey at £157.25M / 6.45% NIY.**

At the prime end of the market Aberdeen acquired Lion **Retail Park, Woking** for £40.5M, reflecting a NIY of 5.20% and Royal London acquired **Eastern Avenue Retail Park, Romford** for £27M, 5.5% NIY.

Direction of Travel

For the remainder of 2025, we expect retailers will experience challenges navigating higher operational costs but we believe occupier demand will remain strong, offsetting potential negative sentiment in the sector. We expect institutional capital and aggregators to remain the most active buyer in the market. Yields have stabilised and will continue to remain stable throughout the year.

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Industrial

Overview

The UK industrial and logistics market remained resilient in the first half of 2025, despite global economic headwinds and rising vacancy rates. Prime rental growth averaged 4.6% in 2024 and is projected to reach 4% by the end of 2025, with capital values increasing by 0.2%–0.4% monthly. Investment volumes totalled £3.3Bn in H1, and take-up for large units (100,000+ sqft) reached 14.7M sqft. However, vacancy rates rose to around 7%; the highest since 2011, largely due to an influx of speculative and secondary Grade-A stock. The sector continued to outperform offices and retail, with forecasted total returns of 8.4% annually through 2028.

Who is buying

Overseas capital, particularly US private equity, dominated the buyer landscape, accounting for approximately 72% of transactions in H1 2025. Institutional investors showed a strong appetite for core assets, with average lot sizes doubling to £42M compared to 2023. Private domestic investors also increased their market share, and there was a notable uptick in freehold acquisitions by large occupiers seeking bespoke facilities. Institutions increasingly targeted value-add opportunities, with acquisitions for renovation and redevelopment rising to 20% of total investment.

Who is selling

Sellers in H1 2025 included a mix of institutional owners, funds rebalancing portfolios, and developers capitalizing on elevated pricing for Grade-A and urban logistics assets. **Some investors opted to dispose of secondary or non-core assets in response to rising vacancy rates and shifting occupier demand.** The market also saw increased activity from entities seeking to exit positions ahead of potential further yield compression or to redeploy capital into higher-growth segments.

Deal highlights

Notable transactions included **Barings purchase of The Access Portfolio for £152M reflecting 5.10% and Valor buying the 627,665 sqft Tesco Unit, Purfleet for £127M reflecting 5.51%.** M&A activity was robust, with 29 deals above £5M in H1—a 16% increase year-on-year—driven by private equity firms such as Lee Equity Partners and August Equity. **The Midlands and South East regions saw the strongest capital value growth, while London's last-mile logistics assets continued to command premium pricing.**

Direction of travel

Looking ahead, the market is expected to see rental growth moderate to 3.5%–4.0% annually, with incentives expanding further to attract occupiers. Take-up is projected to exceed 29M sq ft by year-end, supported by a strong pipeline of units under offer. Investment volumes may accelerate as overseas capital deployment intensifies, though tariff-related uncertainty and construction constraints could temper activity. ESG compliance and the demand for energy-efficient, Grade-A space will increasingly shape investment and occupational strategies. Despite rising vacancy rates, the sector remains well-positioned for sustained growth, with regional selectivity and asset quality becoming more critical to performance.

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Alternative

Overview

The UK alternatives real estate sector demonstrated continued demand and resilience in H1 2025, although a lack of available stock continued to hamper transaction volumes. Hotel investment volumes reached £1.59Bn, with a marked shift towards single-asset deals and regional diversification beyond London. **Allsop sales showed sustained demand for car showrooms, with yields remaining stable between 6% and 7% NIY.** For example, Allsop sold showrooms in **Ayr** and **Reading** at NIYs of circa 6.7%. Furthermore, we have recently gone under offer on a further two showroom assets in **Sheffield** and **Bristol.**

The nursery sector remained buoyant, underpinned by expanded government childcare funding and changes to Business Asset Disposal Relief. As always, the sector faced economic headwinds and operational pressures, including wage inflation and increases to National Insurance contributions.

Who is buying

Institutional investors were prominent in the hotel sector, accounting for a significant proportion of Q1 volumes, with a focus on luxury and upscale urban assets - exemplified by Schroders Capital's £100M acquisition of **Edinburgh's W Hotel** and LaSalle's £48M purchase of **London's Ruby Stella.**

In the car showroom market, private buyers/family offices and dealer-operators dominated.

The nursery sector saw demand primarily from private buyers/family offices and European institutional investors.

Who is selling

In the hotel market, sellers included private investors and funds rebalancing portfolios, as well as owners capitalising on strong pricing for single-asset disposals in regional markets. **Car showroom disposals were led by dealer groups realigning their networks,** private owners seeking to exit amid compressed lease terms, and some institutional holders offloading secondary or non-core assets. In the nursery sector, an increase in stock coming to market was driven by developers exiting assets and operator sales.

Deal highlights

Notable hotel transactions included the **W Hotel, Edinburgh** (£100M, Schroders Capital), Ruby Stella, London (£48M, LaSalle), and strategic portfolio deals such as Tristan Capital Partners' €400 million acquisition of easyHotel. In the car showroom sector, prime assets in the South East and London attracted competitive bidding, with sales completing in Maidstone, Reading, and Ayr. **Nurseries were sold by Allsop in Weybridge (£5.75M) and Addlestone (£4.1M) at circa 7.3% and 6% NIY respectively.**

Direction of travel

Looking ahead, the hotel sector is expected to see further single-asset deal activity, with institutional capital targeting branded urban assets and regional value-add opportunities. The car showroom market is likely to bifurcate: prime, well-let, BEV-ready assets will remain in demand, but secondary locations and legacy properties let to weaker covenants may face repricing unless modernised or supported by strong alternative use value. The nursery market is poised for accelerated deal flow in Q4 2025, as day nursery business owners consider their exit strategies in light of increases to Business Asset Disposal Relief. Across all sectors, sustainability, operational efficiency, and regional diversification will be key investment themes, while policy changes and labour costs remain critical watchpoints. As interest rates stabilise and capital flows rebound, alternatives are expected to play an increasingly important role in diversified UK real estate portfolios—though asset selection and due diligence will be paramount amid evolving operational headwinds.

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Hotel Market Update

Operationally, the past few months have seen sluggish top-line performance in the UK hotel market, with RevPAR appearing to now decline marginally across the board after a period of relatively sustained data.

With regards to top-line performance data, hotels occupancy in May 2025 fell marginally both in London (82.5% to 82.2%) and across the UK as a whole, from 79.8% to 79.4% (Hotstats). Average daily rates (ADR) of occupied rooms in the UK saw a small decrease from £152.90 to £149.10 in May year-on-year, and from £218.30 to £206.90 in London.

Macroeconomic uncertainty may be affecting consumers' decisions towards travel, with the domestic market struggling. An increase in living costs as inflation edges higher, coupled with a looser labour market, may be influencing consumers to switch some overnight stays for day trips.

As per our last update, the sector continues to face ongoing cost pressures as the industry is still dealing with elevated staffing costs, this having been further intensified by the increase in employer National Insurance Contributions and the National Minimum Wage which took place in April 2025. While many hotel staff already earn above the minimum wage, increases to the wage floor can trigger a ripple effect, prompting higher-paid employees to seek raises that better reflect their skills and responsibilities.

Given staff are essential to provide customer experience and can only be reduced to an extent, hoteliers are increasing investment in technology in order to improve efficiencies and support more sustainable practices that lower operational costs and strengthen competitiveness. As such, these staffing cost pressures could prove beneficial in the longer run.

Throughout the remainder of the year, UK hoteliers are expected to face continued pressures as weaker trading performance weighs on profitability amid rising operational costs from higher wages, National Insurance contributions, and business rates.

Geopolitical tensions, coupled with the repercussions of President Trump's tariff policies on the US dollar, may be exerting a negative influence on the UK hotel sector—particularly in markets with a significant proportion of international visitors, such as London and Edinburgh. According to data from the US International Trade Administration, outbound travel from the United States to the United Kingdom declined by approximately 3% in May and 6% in June. Concurrently, the depreciation of the US dollar relative to the British pound has constrained hoteliers' ability to sustain room rates for international guests originating from the United States, this potentially diminishing the UK's appeal as a travel destination due to the increased relative cost for foreign visitors.

With regards to Capital Markets, Hotel investment volumes reached £1.59Bn, with a marked shift towards single-asset deals and regional diversification beyond London. Prominent buyers included institutional investors who accounted for a significant proportion of H1 volumes. We anticipate the sector to see further single-asset deal activity, with institutional capital targeting branded assets and value-add opportunities.

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Commercial Auction Market

Looking back to our May market update, sentiment in the commercial auction market appears to have seen a slight up-tick. Through our four auctions that we have held in 2025 we have raised **£160M from the sale of 240 Lots at a success rate of 86%.** Of these sales, 47 were at a price point of £1M or greater.

From a geographical view, 52% of these sales were in London and the South East and in terms of sector distribution, approximately **70% fell into the retail asset class.** Nearly half of the transactions were concluded either prior to or post auction, proving the proactive nature of our experienced team and the power of the unconditional auction contract.

Total Raised to date

£160M

Total Transactions to date

240

Total Success Rate

86%

Deal Highlights

Highlights from our June auction include a pair of **convenience stores in Oxfordshire, both let to Midcounties Co-operative Ltd** for a further 15 years with index-linked reviews, and residential upper parts let on long-leases. The sale in **Bicester achieved 7%** with the property in **Abingdon achieving 7.4%.** Through 2025 we have sold 18 Convenience stores, raising £16M, which shows that they remain a **very sought after sub-sector of the retail market** for private investors.

A restaurant with self-contained 2-bedroom maisonette located on **New Kings Road, London, SW6** generated strong interest and was eventually sold prior to auction for 5.1%. Whilst the rents were reversionary, this re-affirms that location remains a driver of demand and buyers are willing to pay handsomely to purchase in the best locations. Sales within Greater London throughout the year now stand at £55M.

Lot 22: 5-11 (odd) & 12a West St. Helen Street, Abingdon, Oxfordshire, OX14 5BL

Who is buying?

We saw buyers bidding from **Canada, South Africa and Spain** which demonstrates the reach of our auctions and the appeal of UK Commercial Real Estate to private investors. The results from our Buyer's Survey indicate their appetite to purchase, and to continue to do so, remains strong and their feedback suggests there is a significant amount of capital waiting to be spent, which we anticipate will be forthcoming as sentiment strengthens over the remainder of the year.

Global, political and economic uncertainty has continued to influence market sentiment over the past 12 months, and the results from the first half of this year are very similar to those that we saw in the second half of last year, where we sold 226 lots and raised £164M, with 45 lots at £1M+. ▶

Direction of Travel

The majority of our buyers take a medium-to-long term view on property investment and, for most, it remains an attractive asset class to be invested in, particularly during times of higher inflation. Hopefully we will see greater domestic and international stability in Q3 & Q4 which, together with lower interest rates, will lead to an increase in transaction volumes.

It is evident that the **gap between sellers' and buyers' expectations is narrowing,** predominantly thanks to an imbalance in demand and supply. As ever, pricing remains key to attracting competitive bidding at our auctions and the **most popular lots continue to be those that are securely let, have indexed linked reviews or potential for rental growth,** as well as those with the potential to create value, particularly where underlying residual values are strong.

We are currently marketing our July auction comprising 102 Lots and, following a brief Summer interval, we anticipate renewed enthusiasm on both sides of the transaction as we head into the latter part of the year. We expect more buyers will see value across a broader spectrum of assets and hope the supply/demand imbalance will begin to correct itself.

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Residential Auction Market

The first 6 months of 2025 have been very challenging for most transactional markets however Allsop's Residential Auction team seems to have bucked that trend with almost £190M raised during that period with an average success rate of 80%, having sold 685 lots under the hammer. Early indicators suggest that the second half of this year may well be similar, with our recent June, two day sale raising £55M with a success rate in excess of 80%.

In terms of trends, investors have, for some time, been chasing income producing investments with a keen eye on yield. We are yet to see yields sharpen as a result of the interest rate cuts earlier this year but this may well change in the coming months especially if the direction of travel remains a downward one from the Bank of England. Whilst the development sector has been challenging for some time there is still plenty of appetite from small developers and those looking for 'doer-uppers' where there is the opportunity to add value in the short term.

Lots sold to date
639

Total amount realised/sold to date
£141M

Total success rate to date
77%

Who is selling?

The seller profiles at our residential auctions have typically remained the same over a number of years now, with our catalogue featuring lots on behalf of housing associations, councils, government bodies, receivers, administrators, property companies, funds, and private investors. The common theme amongst almost all these seller types is their exposure to debt and the need to raise capital to cover their increased cost of finance. Over the past 6 – 12 months there has been a noticeable increase in volumes especially from both housing associations and distressed sellers using the auction route to release capital in a timely and transparent fashion especially when traditional private treaty sales are stalling or failing to get across the line.

Much has been made about private investors and portfolio owners exiting the market recently due to concerns over rental reform, an increase in stamp duty and of course the cost of finance impacting on re-finance deals. We have, as expected, seen a reasonable uptick from sellers that fall into this category, but it seems more often than not these sellers are reducing their holdings to bring down their LTVs and manage the long-term costs of new finance deals. This trend may well continue for the remainder of this year and beyond as investors' current low fixed rate offerings come to an end. ►

Residential Auction Market

April 2025 - Highlights

Lot 135: Haven Lodge, 62 Clay Lane, Coventry, West Midlands, CV2 4LN

INVESTMENT - Freehold HMO Building

- **Thirty One Units are Subject to an Assured Shorthold Tenancy, Four Units are Vacant**
- **Internally arranged to provide Thirty-Five ensuite Bedrooms**
- **Each Unit benefits from a double bed, an ensuite shower room, small kitchenette and desk area**
- The Building is within a Gated Development which benefits from Parking
- A range of local shops and amenitites can be found within walking distance
- Regular bus routes run from directly outside the property on Clay Lane servicing the stations and city centre
- Coventry Rail Station provides regular and direct services to London with a fastest journey time of 55 minutes

Total Current Rent Reserved: £253,920 p.a. (equivalent)

Sale Price: £2,255,000
Gross Initial Yield 11.26%

Lot 224B Gilsland Spa Hotel, Gilsland, Brampton, Cumbria, CA8 7AR

VACANT - Substantial Freehold Former Hotel

- **Internally arranged to provide Ninety-Three Hotel Rooms**
- **Site Area approximately 4.05 Hectares (10 Acres) of Gardens and Woodland**
- Shops and amenities are located in Gilsland Village to the south
- Haltwhistle Rail Station is approximately 6.5 miles to the south east
- The UNESCO World Heritage Site of Hadrian's Wall is nearby to the south west

Vacant Possession

Sale Price £800,000

Residential Auction Market

May 2025 - Highlights

Lot 94: 5-13A West Street, Reigate, Surrey, RH2 9BL

VACANT - Freehold Mid Terrace Buildings

- **Internally arranged to provide a total of Fourteen self contained Flats and Three Commercial Units**
- **Eight Flats (One x Studio Flat, Four x 1 Bedroom Flats and Four x 2 Bedroom Flats) are Vacant**
- Six Flats are subject to Long Leases with approximately 997 years unexpired
- The Three Commercial Units are subject to a Long Lease with approximately 999 years unexpired
- Reigate Station (Southern Railway) is easily accessible
- Local shops and amenities are available within walking distance
- Gatton Park and Reigate Heath are both easily accessible

Vacant Possession of Eight Flats

Sold Prior

Lot 9: 160 Bethnal Green Road and 4 Chilton Street, Bethnal Green, London, E2 6DG

INVESTMENT - Freehold Corner Building

- **Arranged to provide a Restaurant Premises and Three Recently Refurbished Self Contained Two Bedroom Flats**
- **Restaurant subject to a Commercial Lease. The premises trades as Tas Firin, an established and very well regarded Turkish restaurant which has been trading from the premises since 2003**
- **Each Flat is subject to an Assured Shorthold Tenancy**
- The refurbishment also included new bathrooms, engineered hardwood flooring throughout and upgrading the common parts. The restaurant was full refurbished and redesigned in 2024
- **Total GIA approximately 260 sq m (2,808 sq ft)**
- Shoreditch High Street overground station is within approximately a 5 minute walk to the west

Total Current Rent Reserved £152,200 p.a. (equivalent)

Sold Prior

Residential Auction Market

June 2025 - Highlights

Lot 296: New Summerseat House, Summerseat Lane, Ramsbottom, Bury, Greater Manchester, BL0 9UD

VACANT - Substantial Freehold Detached Grade II Listed Manor House

- **Most Recently Used as a Pupil Learning Centre**
- **Comprising a Dilapidated Former Manor House occupying Grounds extending to approximately 2.83 Hectares (6.99 Acres)**
- **Possible Development Potential, subject to obtaining all necessary consents**
- **Well located for the amenities of Ramsbottom, Bury and surrounding areas**
- **Drone Video available below**

Vacant Possession

Sale Price: £1,575,000

Lot 19: Park Gate House, 250 Seven Sisters Road, Finsbury Park, London, N4 2HU

VACANT - Freehold Block of Self Contained Flats with Commercial Ground Floor Subject to a Long Lease

- Internally arranged to provide Eighteen x 1 Bedroom Flats and Two Retail Units (subject to a Long Lease)
- The Retail Units are subject to a Long Lease with approximately 975 years remaining
- Flat 18 is Fire Damaged
- Finsbury Park Rail and Underground Station is opposite the property
- Shops and amenities located along Blackstock Road to the east of the property
- **Virtual Tour available below**

Vacant Possession of Eighteen Flats

Sale Price: £4,350,000

Residential Auction Market

Buyer profiles

Traditionally the auction market has been very reliant on cash buyers with time constraints making traditional finance difficult to obtain in such a short space of time. The challenging economic back drop, especially the higher cost of finance and the cost-of-living crisis has undoubtedly provided a lot of opportunity for cash rich private investors. However, over the past 6 months, as interest rates have slowly come down, we have seen more buyers returning to the market and more buyers saying they are raising finance for the purchase. If, as predicted by many, interest rates continue to come down slowly over the coming 6 months we may well see more investors return to the auction sales which will provide some very welcome depth to buyer pools and that all important competitive tension when it comes to bidding at auction.

From a geographical perspective the vast majority of buyers are domestic but there still are some international buyers purchasing assets at auction.

Looking ahead

We are expecting a very busy 6 months ahead with a total of 5 sales still to come in H2 and with plenty of motivated sellers using our auction platform to raise capital there is likely to be plenty of opportunities for investors and developers across the country. Pricing, as ever, is a key component to a successful auction sale but with large catalogues full of high quality stock from well-respected and focused sellers, buyers are likely to continue returning to our auctions to deploy capital and those choosing to sit on their hands may well look back at 2025 as a lost opportunity.

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Residential Transactional and Living Markets

Residential Investment

Overview

Q2 2025 has seen the positive momentum from the previous quarter continue across the UK residential investment market. Our team has maintained a strong run of securing new instructions, with the pipeline further strengthened by honest, market-driven advice that is increasingly being accepted by vendors. The importance of accurate pricing and a tailored marketing strategy remains paramount, consistently proving to be the catalyst for successful sales.

A clear pool of educated buyers remains active in the market, and **where pricing is aligned with current conditions, we are achieving multiple offers on assets.** This dynamic has been particularly evident in the North, where a combination of historic and new deals has led to a further uptick in both completions and properties under offer. Notable recent completions include H**adrian's Tower, Newcastle** (c.£12.5M) and **Headingley Park, Leeds** (c.£28M). We have also recently gone under offer on **Addison Terrace, Manchester** (asking £6.5M) and an off-market **portfolio of houses in Manchester** (asking £3.5M), both attracting multiple offers.

Despite the recent shift in the base rate, the cost of debt has remained largely unchanged, and investors have now priced this into their offers. Vendors are clearly accepting this new reality. There is a tangible sense of determination among investors to continue deploying capital, with the prevailing cost of debt no longer acting as a deterrent.

Outlook on the South

In the South, particularly outside central London, **yield remains the key driver of buyer interest.** Assets offering **gross yields of 7%+** are attracting significant attention, while sub-7% yields are generally reserved for prime locations (Zone 1 or 2), value-add opportunities, or properties with clear rental growth potential. Recent activity includes the sale of three unbroken freehold blocks in East Dulwich on behalf of Grainger, with another nearby block now under offer, totalling approximately £9M.

On the acquisitions front, we recently acted for a well-established UK Propco in their purchase of two blocks at **Bennetts Yard, Uxbridge** for £5.5M and **Silchester Apartments, Isleworth** for circa £11.5M; each reflecting gross yields around 7%.

The profile of sellers remains diverse, encompassing private landlords, property companies, retiring family offices and an increasing presence of housing associations.

London and the South East

The London and South East market continues to operate somewhat independently from the broader national picture, drawing in a deep and varied buyer pool. During Q1, we launched and successfully sold several residential investment opportunities across the capital and beyond. These included a 12-unit block in Camden, a group of high-end retirement apartments in Wimbledon, a large block of flats in Watford, and a 24-unit scheme in Bethnal Green. All received strong interest and ultimately transacted well.

What united the successful deals was a shared buyer focus on asset quality, location, and long-term performance. Investors - ranging from high-net-worth individuals and overseas buyers to established London-based PropCos - were primarily motivated by the stability and familiarity of residential property, particularly in a city that remains a global safe haven. Many of the acquisitions offered either strong existing income or clear potential to add value and drive rental returns through targeted capital expenditure.

Just as in the regional markets, accurate pricing has proven critical to success. Where pricing has aligned with market expectations, assets have moved quickly - reinforcing the importance of going to market with a well-judged strategy from day one. ►

Residential Investment

Outlook on the North

In the North, **average gross yields in the 8%–10% range,** have found firm ground with some variation depending on asset type, location, and prospects for rental and capital growth, all of which feed into a property's investment value. While it remains a buyer's market, purchasers are not having it all their own way, with competitive bidding and robust due diligence standards continuing to shape transactions.

Direction of Travel

Looking ahead, we expect more of the same in the coming quarter and anticipate a busy summer—not only preparing new sale instructions to be launched in September but also focusing on ensuring that deals currently in solicitors' hands transact within agreed timescales. It will be interesting to observe the impact of any future interest rate reductions on the market, particularly as the Bank of England has indicated it will consider rate cuts if employment data weakens. Ironically, it could be a softening economy that ultimately acts as a catalyst for the continued uptick in buyer sentiment.

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Student Housing

Overview

Summer 2025 has proven to be a pivotal period for PBSA operators, with heightened pressure to drive bookings for the 2025/26 academic year and maintain stable occupancy levels. Market sentiment suggests a softening in occupancy, with Unite Group reporting reservations across 85% of its 68,000-bed portfolio—down from 94% at the same point in 2024. At a recent industry conference, discussion pointed to the possibility that occupancy is settling into a 'new normal' following Covid with current leasing velocity more in line with the 2021/22 and 2022/23 cycles.

Despite operational headwinds, investor sentiment in the student sector remains resilient, with several transactions completing over the past quarter. Most activity is concentrated in the value-add and affordable end of the market, with pricing expectations adjusted accordingly. Affordability continues to dominate conversations, and it's clear that this theme is here to stay.

Looking ahead, the anticipated introduction of the Renters' Rights Bill is expected to introduce a period of adjustment, mainly in the HMO market but possibly in the PBSA market during the transition period. Nevertheless, national HMO investors appear relatively unfazed, positioning themselves to capitalise on well-priced opportunities in what has been one of the strongest performing asset classes in terms of occupancy and rental growth.

Market Activity

Several notable transactions show ongoing investor confidence involving a mix of institutional buyers, private capital and overseas entrants:

- Several notable transactions show ongoing investor confidence involving a mix of institutional buyers, private capital and overseas entrants:
- Sanctuary Students are reportedly under offer to Global Student Accommodation (GSA) for their £400M portfolio comprising 5,600 beds across 21 assets.
- Unite selling nine student assets comprising 3,656 beds for £212M to an affiliate of Lone Star Funds. The price reflected a net yield of 6.4%. The sale is expected to complete in August.
- **Allsop completed on Urban Study in Newcastle comprising 354 units to an overseas family office for ~£38M.**
- Barings and Rosethorn Capital (a newly formed asset manager of PBSA) acquired Spring Mews, Vauxhall, London, SE11 from CLS Holdings for £101M.
- **Allsop completed on a PBSA sale in Manchester for ~£14M.**
- Mapletree sold 756 bedrooms across two PBSA blocks in Edinburgh and Glasgow to CVC DIF for c.6% net yield.
- HMO operator Homie acquired a portfolio in Manchester bringing their current total to ~550 bedrooms. In addition, Tokoro have successfully secured a £27.35M loan from Leumi UK to help build their portfolio further.

Direction of Travel?

It is important to emphasise that the slower transaction volume seen recently is not necessarily down to waning investor appetite. For further insight, we recommend Anthony Hart's latest blog which discusses underlying causes for restricted deal flow.

Looking forward, we anticipate there will be continued focus on affordable, well-located assets coupled with greater scrutiny on under-writing assumptions particularly around rental growth and operational costs. It is fair to say that although student accommodation remains one of the most defensible sectors in real estate, there is a sense of realism across the board.

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Development

Overview

The underlying tone of the residential development market remains cautious, despite some glimmers of positivity towards the start of Q2 2025. Build cost inflation has reduced providing clarity around pricing, however there are still major headwinds, a key factor being regulatory pressures. The most significant of these is the Gateway process and the delays this is causing to the build programme for sites. High rise development over 18 metres outside Zones 1 or 2 in London remain very difficult to make financially viable, and we are seeing significant demand for low-rise flatted and housing schemes.

Compounding the issues are faltering off-plan sales and persistent planning gridlock, which has stalled London's development pipeline. According to Molior, private sector housing starts in the capital dropped to just 731 units - a 57% year-on-year decline and less than half of Q1 levels. Sales volumes similarly slowed, with just 3,950 new homes sold across London in the first half of 2025—only 9% of the 44,000-unit target set by government bodies for the period.

Who is Buying

There is renewed engagement from traditional housebuilders and institutional investors seeking stabilised, mid-density suburban stock with strong commuter links. Appetite remains cautious for high-rise apartment schemes, particularly those requiring complex planning or tall-building sign-off, but demand for well-located, lower-risk housing and conversion opportunities remain strong.

Sites marketed during Q2—particularly those with planning certainty or flexible delivery potential—have attracted competitive interest. Allsop are acting on two sales, **Dukes Gate, Chiswick** and **Garratt Lane, Earlsfield,** which are examples of consented and unconsented Permitted Development opportunities which have attracted a significant level of interest. Buyer groups range from SME and specialist developers to well-capitalised funds seeking counter-cyclical opportunities. Equity remains available, though buyers are focusing on well-priced assets with clearly reduced delivery risk.

Housing associations are selectively retreating from high-risk or capital-intensive schemes, particularly where grant funding has not materialised, or cost assumptions have shifted. In contrast, larger plc housebuilders are opportunistic, acquiring land or schemes with long-term potential, albeit at significantly discounted valuations.

Who is Selling

Vendors are increasingly prepared to bring forward assets to test market appetite, particularly in locations where values have remained more stable. This includes a mix of permitted development sites, small to mid-sized consented schemes, and suburban landholdings with short-to-medium term potential. Q2, however, saw limited deal flow with many developers opting to hold rather than sell in a weak market.

In London and the Southeast, there is a growing pipeline of part-built or delayed schemes entering the market. Developers, particularly smaller or highly leveraged ones, are being forced to pause or abandon schemes, with some seeking to offload land or exit delayed projects. **Many sites are being brought forward via Receivers or distressed owners responding to viability challenges and shifting debt positions.** Examples include Great Brighams Mead in Reading, a 110-unit part-built site which has received significant levels of interest.

Direction of Travel

Whilst there are still pricing discrepancies, a narrowing of the gap between vendor and buyer expectations has supported increased transactional activity through 2025. Looking ahead, the market is moving toward selective, low-risk development. Developers are recalibrating for lower sales rates, higher build costs, and more rigorous regulation—especially in London. The era of speculative high-density private-sale schemes may be giving way to phased delivery models, tenure diversification, and blended funding structures. In the short term, it is likely that there will be a considerable number of development opportunities brought to the market in September in the hope of transacting prior to Christmas.

With interest rate reductions expected in H2 and a more proactive policy environment, the direction of travel is improving. The next 6–12 months will be shaped by the timing and scale of interest rate cuts, government-led planning reform or incentives, potentially tied to housing targets or investor confidence, and market consolidation with well-capitalised players absorbing distressed sites or joint-venture with weakened peers.

The development sector is in a transitional phase—with volume down, but long-term demand fundamentals still intact. **Those able to adapt to the new regulatory, financial, and consumer realities will be best positioned for the recovery expected from mid-to-late 2026.**

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Build to Rent

The UK Build to Rent (BTR) sector continues to see an uptick in transactional activity, despite continued challenges across the development and investment climate.

This activity is a further display of confidence in the resilience of the BTR market, even in the face of broader economic uncertainties and viability challenges. The currently multi-family (MF) development investment landscape continues to be characterised by a proactive approach from investors and developers to find an investment solution for development opportunities in a challenging environment. This is supplemented with an increasing but overall, a modest, number of operational assets coming to the market, particularly first-generation schemes.

Who is Active / Headline Deals

Recent BTR Multi Family transactions include Hines purchase of **Solasta Riverside, Glasgow** a 324 stabilised BTR scheme from L&G, the outlier. The Single Family market has been particularly active with Placefirst believed to be under exclusivity to purchase **Project Oak** for £225M, a 520 home stabilised SFH portfolio across eleven sites from Blackstone. Sigma Capital has purchased a portfolio of sites totalling 415 new homes for £100M from Vistry to add to their SFH stock. Lloyds Living has forward purchased 598 homes from Barratt Redrow across 11 regional locations comprising 398 homes. Long Harbour has acquired 105 homes from Vistry in **Newhall, Essex. Kennedy Wilson** has added more assets to their fast growing portfolio in **Derby, Cheltenham and Milton Keynes.**

Direction of Travel

SFH continues to see a number of high-profile entrants in recent months and we are seeing further capital looking to enter the space. Housebuilders continue to be attracted to the sector as a diversification alongside their sales business, creating partnerships, with SFH investors.

We continue to expect investors prioritising progressed, best quality MF assets with strong, experienced development partners. The recent Building Safety Regulations are causing further challenges to MF development, increasing programme length and costs.

Yields will be robust for best-in-class schemes, with secondary locations more challenging due to viability constraints.

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Business Rates

2026 Rating Revaluation

The Government's Valuation Office Agency (VOA) is understood to have completed its work on the upcoming 2026 Rating Revaluation, which will take effect from 1 April 2026. This revaluation will assign new Rateable Values (RVs) to all properties across the country based on rental values prevailing on 1 April 2024.

It is anticipated that the draft list of 2026 Rateable Values will be released in the late autumn. For the 2023 Revaluation, the timing of the release of the draft figures was two days after the 2022 Autumn Budget. At the time of writing the date of the 2025 Autumn budget has not yet been announced. If it is held in November then it is probable that the draft list of 2026 Rateable Values will be released shortly thereafter.

At a Rating Revaluation, the Uniform Business Rate (UBR) is adjusted to ensure that the Government's overall income from business rates remains broadly revenue-neutral in real terms. Therefore, if as expected the total Rateable Value across England increases, the 2026/27 UBR will be reduced from its current level.

New Lower UBR for Retail, Hospitality & Leisure (RHL) – From April 2026

The Government has confirmed that, from April 2026, a permanently reduced UBR will apply to RHL properties with a Rateable Value below £500,000. The level of this reduction will be finalised and announced in the Autumn Budget.

Key details confirmed so far:

- The largest UBR discount will apply to properties with an RV under £51,000.
- Properties with RVs between £51,000 and £500,000 will receive a smaller UBR reduction.

The above will replace the various retail rates relief schemes which have been in place since 2020.

The Government has not yet confirmed the final eligibility criteria for classification as an RHL property. This is expected to be clarified in the Autumn Budget.

Rates Supplement for Properties with 2026 RVs of £500,000+

To fund the UBR reductions for RHL properties, the Government intends to impose a rates supplement on properties with a 2026 RV of £500,000 or more.

This will affect a broad range of property types, including:

- Large distribution warehouses
- Large offices
- Universities and hospitals
- Anchor retail stores, many of which play a vital role in attracting footfall to town and city centres

Given that the Government's stated aim in introducing UBR cuts is to "support the High Street," it is unsurprising that there has been a backlash from large anchor retail stores. These retailers — who play a key role in driving footfall — will also be required to pay the rates supplement, effectively funding lower bills for other, often competing, retailers. The Autumn Budget will confirm whether the Government intends to revise its proposal and exempt retail properties with a Rateable Value over £500,000 from this additional charge.

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Letting & Management

The UK rental market continues to evolve, with **Single Family Housing (SFH)** activity increasing notably across the board. Institutions are ramping up partnerships with major housebuilders, accelerating delivery across the suburban **Build to Rent (BTR)** sector. At Allsop, we are seeing this shift first-hand through a **growing pipeline of management instructions** from a wide range of investors eager to scale their SFH portfolios.

Meanwhile, in the **multi-family BTR** space, innovation is the order of the day. Despite ongoing macroeconomic challenges, clients remain **resilient and creative in structuring funding,** resulting in a steady, if selective, deal flow. Encouragingly, **appetite for well-located, professionally managed rental assets remains high,** with forward-thinking investors seizing strategic opportunities in a tight market.

Single Family Housing (SFH): Scaling Up Fast

- **Partnerships are expanding:** Institutional investors are teaming up with national and regional housebuilders, aiming to secure consistent pipeline delivery into 2026 and beyond.
- **Allsop's role grows:** We've recently taken on multiple new SFH schemes from long-term clients and new entrants alike, reflecting the increasing confidence in this sector.
- **Operational strength:** Our fully let schemes continue to demonstrate robust performance, maintaining occupancy levels in excess of 97%, with low churn and rising re-let rents.

Multi-Family BTR: Creative Deal-Making in a Shifting Market

- **Funding flexibility:** We are seeing clients adopt more agile funding structures—blending forward funding, debt restructuring, and JV models—to keep projects moving.
- **New schemes on the horizon:** Despite headwinds, a number of multi-family developments remain on track for launch in late 2025/early 2026, particularly in Leeds, Birmingham, and Manchester.
- **Operational assets remain core:** Investors are focusing attention on existing portfolios and stabilised stock, driving demand for best-in-class management to maximise returns. ►

Recent portfolio highlights

The Slate Yard, Manchester

Allsop has taken on management of this flagship scheme, with operations supported by our Asset Management and Mobilisation team based in our new Manchester office.

The Octagon, Birmingham

Leasing has commenced in earnest on this exceptional BTR asset, with early demand reflecting its prime location and premium offering.

Direction of Travel: Evolving Market, Expanding Opportunity

In the BTR sector, we are starting to see a **growing number of first- and second-generation assets** come to market. As an **early adopter of Build to Rent,** Allsop is now observing a steady stream of **Gen 1 and Gen 2 Manchester-based schemes transacting,** with pricing and repositioning strategies evolving accordingly.

At the same time, the **next wave of co-living schemes** is beginning to emerge—particularly in **London,** where investor appetite and tenant demand for flexible, community-led living remains strong. We are working closely with colleagues across **Allsop's valuation, development, and investment teams** to provide joined-up, strategic advice to clients exploring these dynamic opportunities.

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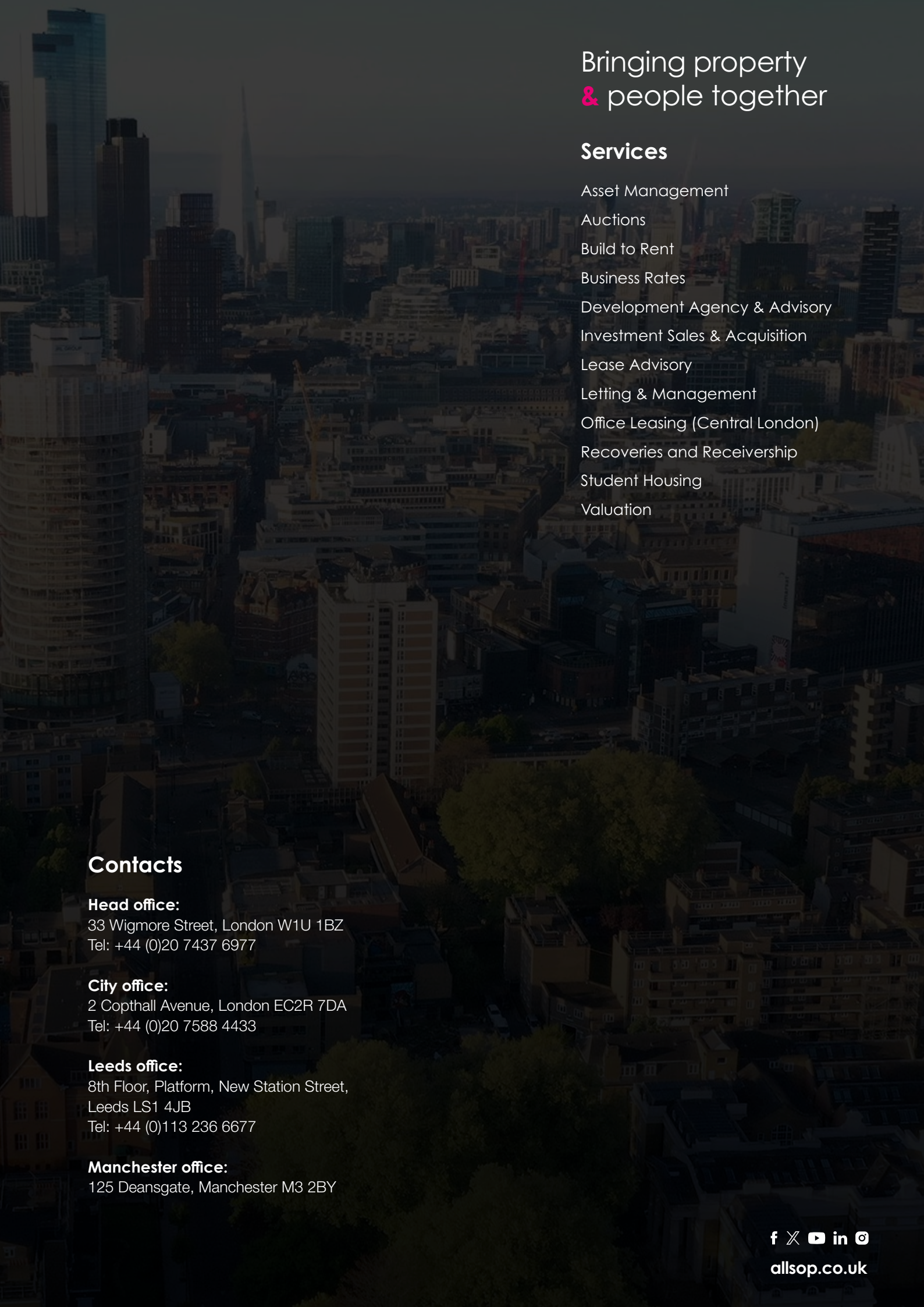

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