UK Real Estate Navigator

Q1 2025

A quarterly review of the UK commercial real estate market

knightfrank.com/research

Economic update

Global and UK economy

CONTACT: VICTORIA ORMOND, CFA

Global economy

Tariff tremors: US policy shakes global growth and stirs uncertainty

GLOBAL OUTLOOK: US POLICY DRIVES UNCERTAINTY

After a prolonged period of global macroeconomic shocks, the world economy was showing signs of stabilising, albeit at reduced levels of growth expected. This trajectory shifted dramatically in the first quarter of 2025, when the US 'Liberation Day' triggered a sharp downturn in global markets. The resulting uncertainty, largely driven by newly imposed US tariffs, has cast a shadow over the global economic outlook. In response, the IMF has revised down its global growth forecast, projecting a moderate 2.8% in 2025 and 3.0% in 2026, down from the 3.3% forecast for both years issued in January. This would see global growth at unspectacular levels compared to the historical average of 3.7% from 2000-2019.

The US is expected to bear some of the most significant effects, with its growth outlook for 2025 cut from 2.7% to 1.8%. The final outcome regarding the scope of tariffs and any potential trade agreements remains clouded, contributing to the permeating uncertainty across the global stage.

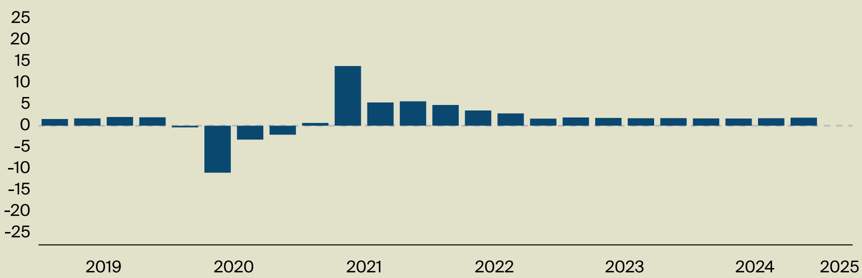
GLOBAL BUSINESS REMAINS ROBUST

The Global Services PMI was 52.7 in March (latest available data), remaining in expansionary territory (figure above 50) for the 27th successive month. Meanwhile, the Global Manufacturing PMI moderated slightly to 49.8 in April; however was expansionary for the first quarter of 2025.

INFLATION ON TRACK, BUT NUANCED

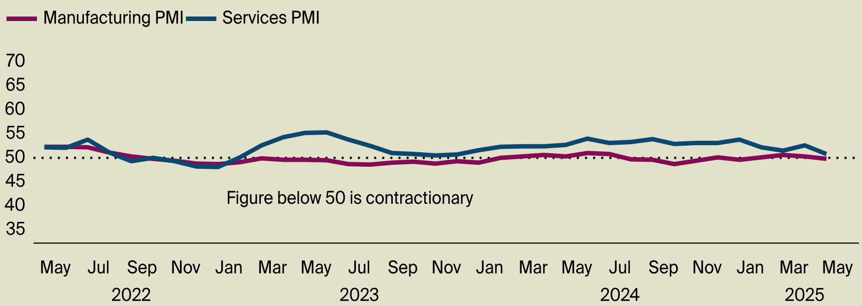
Global headline inflation is anticipated to follow an uneven path towards central banks' target. While the full impact of US policy on global inflation remains fluid, the IMF forecasts that global inflation will ease at a slightly lower rate, reaching 4.3% in 2025 and 3.6% in 2026. These projections include upward revisions for advanced economies and slight downward adjustments for emerging markets and economies.

Gross Domestic Product
Quarterly OECD countries GDP growth, % change year-on-year, seasonally adjusted



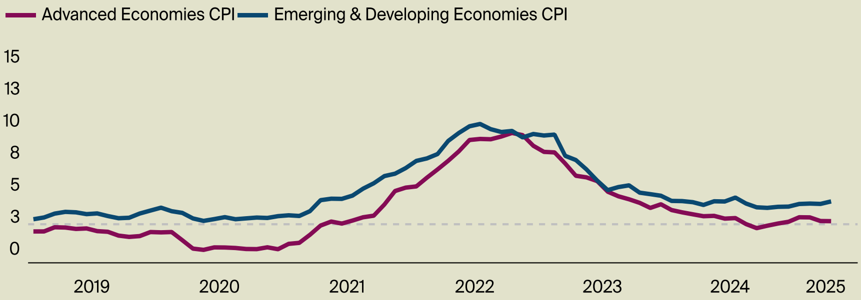
Source: Knight Frank Insight, Macrobond, OECD

Business Activity Index



Source: Knight Frank Insight, Macrobond, S&P Global /CIPS

Inflation
%



Source: Knight Frank Insight, Macrobond, World Bank

UK economy

Not immune to global headwinds, but the UK finds pockets of promise

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UK GDP: SLOWING GROWTH, BUT LARGELY SHIELDED FROM TARIFFS

The UK is also expected to see growth remain sluggish relative to historical averages. The impact of tariffs in 2025 is anticipated to be modest, around 0.1%, with GDP growth forecast at 1.0%. In 2026, however, UK GDP is expected to moderate further to 0.9%, down from the pre-tariff forecast of 1.5%.

The UK was among the first major economies to secure a post-'Liberation Day' trade agreement with the US. The deal provides some much-needed clarity during a time of broader global uncertainty. While it isn't likely to dramatically alter the UK's overall economic outlook compared to previous forecasts, it does offer meaningful support to industries such as automotive and steel. Even so, the agreement reinforces the idea that the UK is relatively insulated from global tariff pressures, which helps sustain a sense of economic steadiness. Amid slowing economic growth, the Bank of England (BoE) is expected to implement three additional rate cuts in 2025, with consensus projections placing interest rates at 3.75% by year-end. Markets are currently pricing in a near-certain rate cut at the May 2025 meeting.

BUSINESS ACTIVITY MODERATES

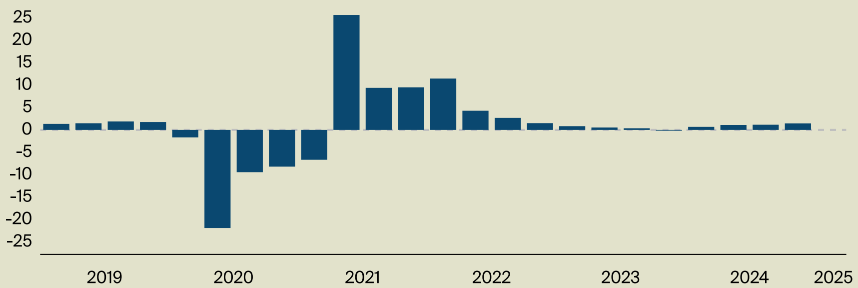
The UK Services PMI dropped to 49.0 in April from 52.5 in March, signalling the first contraction since October 2023. Meanwhile, Manufacturing PMI edged up to 45.4 from 44.9.

TARIFFS MAY BE DEFLATIONARY FOR THE UK

UK CPI inflation eased to 2.6% in the year to March 2025, down from 2.8% in February. Inflation is expected to pick up from April due to higher National Insurance and minimum wage rates. Oxford Economics expects US tariffs to have a deflationary effect in 2025, lowering year-end inflation to 3.0% from a pre-tariff forecast of 3.2%. The downward pressure comes from weak consumer demand, falling global oil prices, and a strong pound against the US dollar.

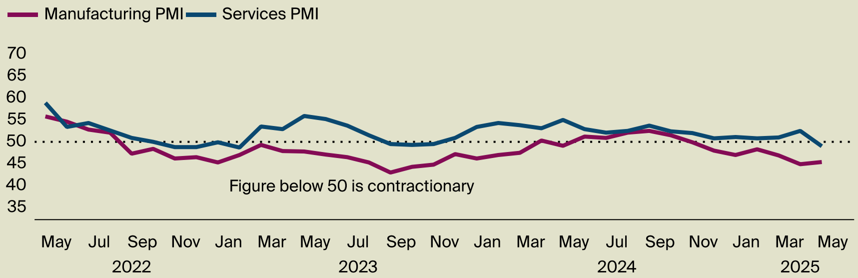
Gross Domestic Product

Quarterly UK GDP growth, % change year-on-year, constant prices, seasonally adjusted



Source: Knight Frank Insight, Macrobond, ONS

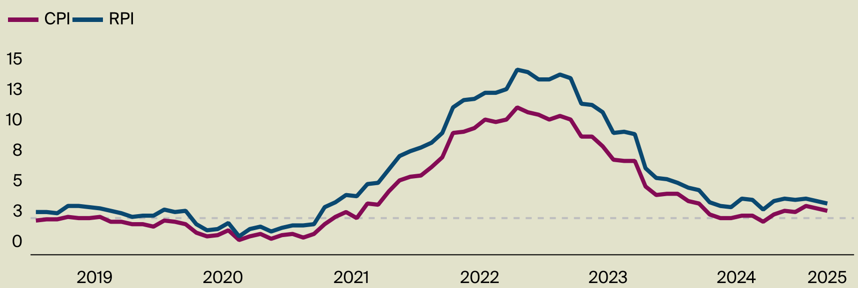
Business Activity Index



Source: Knight Frank Insight, Macrobond, S&P Global /CIPS

Inflation

%



Source: Knight Frank Insight, Macrobond, ONS

Capital markets

UK commercial real estate

CONTACT: VICTORIA ORMOND, CFA

Capital markets

The UK maintained its position as the leading destination for overseas capital flows in Q1 2025

INVESTMENT DOWN, BUT NOT OUT

Amid ongoing uncertainty, including the residual impact of Trump-era tariffs, transaction volumes have moderated, reflecting broader global macroeconomic headwinds. However, the UK emerged as the leading destination for cross-border capital in Q1 2025, underscoring its resilience amid challenging global conditions.

UK CRE investment totalled £8.1bn in Q1 2025. This was -45% down on investment in Q4 2024 and a -28% contraction on Q1 2024. Offices (£2.2bn) were the most invested sector, followed by the Living Sectors (£1.9bn), Logistics (£1.7bn), Retail (£1.4bn), Hotels (£0.5bn) and Senior Housing & Care (£0.4bn). Living (+7%) was the only sector to record an increase in investment year-on-year in Q1 2025.

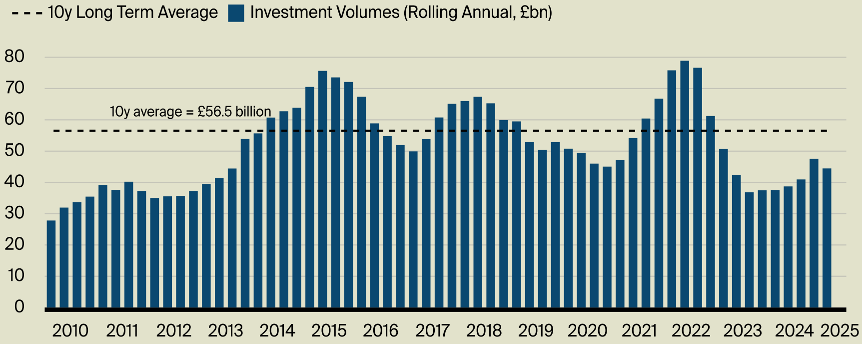
Cross-border investment into the UK moderated, totalling £4.3bn, a -35% decline from Q4 2024, yet still accounting for a significant 53% share of total UK CRE volumes. Despite the overall slowdown, momentum from key overseas investors has strengthened in early 2025, following a cautious approach throughout last year. Notably, Japanese investment in Q1 alone surpassed the total for all of 2024 by +59%, while Australian capital rose sharply, up +234%.

SIGNS OF STRENGTH AMID UNCERTAINTY

Heading further into 2025, we continue to see pockets of positivity emerging across the UK CRE market. Sector fundamentals are improving steadily, with MSCI reporting income growth of over +5% since early 2023. Capital values, which bottomed out in mid-2023 after a -21% drop, have since rebounded to their highest levels since Autumn 2022, with growth shown in all sectors for the first time in early 2025. The rate outlook is becoming increasingly supportive, creating a more favourable backdrop. Capital is gradually moving towards stability, and UK real estate, with its liquidity, yield profile, and global appeal, is primed to benefit.

UK quarterly investment volumes

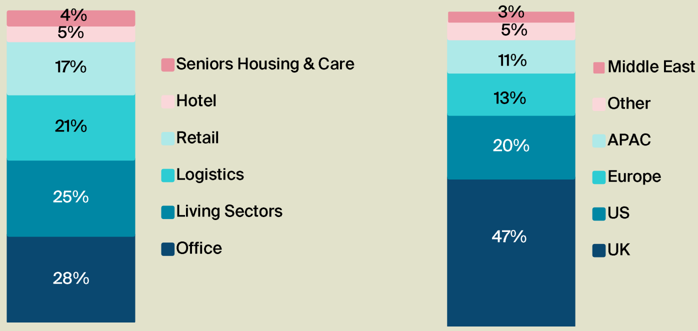
Quarterly investment volumes, rolling average



Source: Knight Frank Insight, RCA

Investment volume breakdown

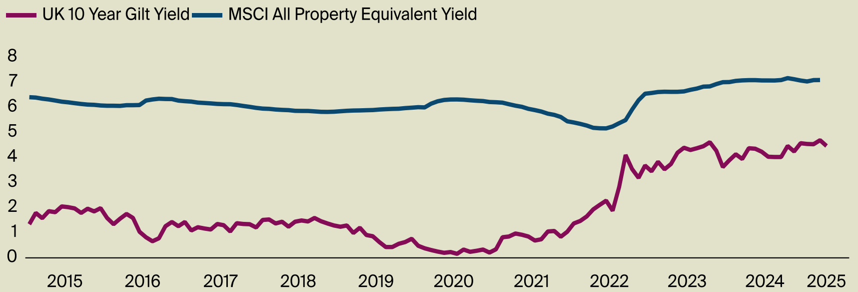
% of Q1 2025 volume



Source: Knight Frank Insight, RCA

Property equivalent yield and UK 10 year gilt yield

%

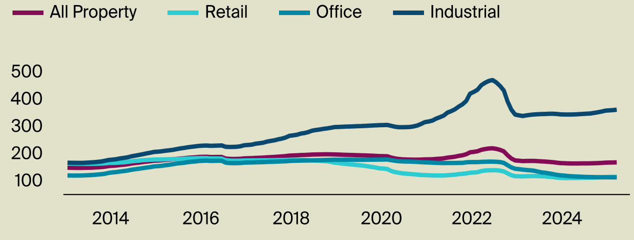


Source: Knight Frank Insight, Macrobond, MSCI

Capital markets

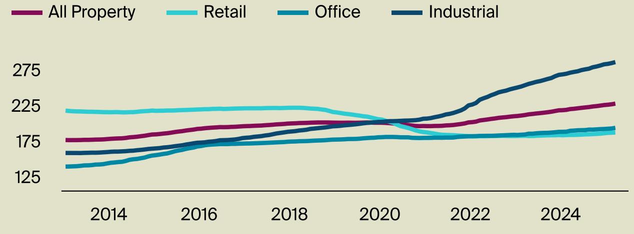
The IPF forecasts the Industrial sector to deliver the strongest capital and rental value growth in 2025

MSCI Capital Value Growth Index
Dec 1986 = 100



Source: Knight Frank Insight, MSCI

MSCI Rental Value Growth Index
Dec 1986 = 100

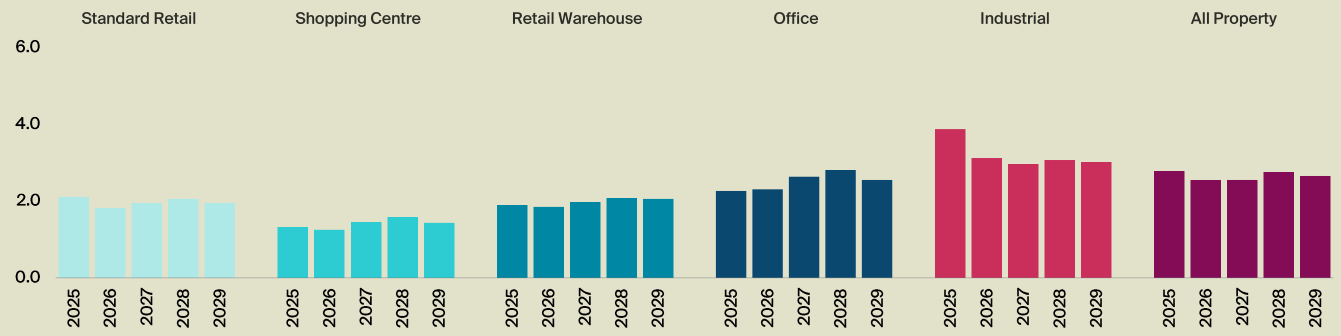


Source: Knight Frank Insight, MSCI

IPF Consensus Capital Value Growth Forecast
%, February 2025 forecast

Source: Knight Frank Insight, IPF

IPF Consensus Rental Value Growth Forecast
%, February 2025 forecast



Source: Knight Frank Insight, IPF

Offices

City & Southbank, West End, Docklands & Stratford, South East & UK Cities

CONTACT: LONDON – SHABAB QADAR, SOUTH EAST & UK CITIES – DARREN MANSFIELD

City & Southbank offices

Return of institutional and sovereign wealth investors

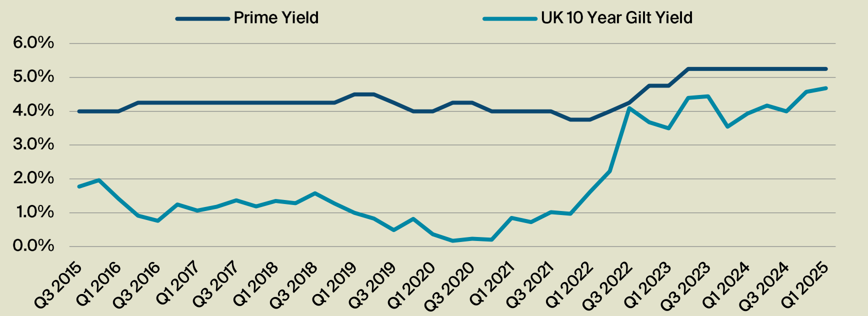
INVESTMENT MOMENTUM MOUNTING

In a welcome shift, investment turnover in the City and Southbank rose 33.5% in Q1 to £968m. Sovereign wealth and institutional investors led the charge. Among them, Abu Dhabi's Modon Holding made headlines with its acquisition of a 50% stake in 2 Finsbury Avenue, EC2, a 750,000 sq ft development at the Broadgate campus. Investor confidence is creeping back, with institutional acquisitions rising 312.1% quarter-on-quarter and more than doubling year-on-year, albeit from a low base.

Buyers from the APAC region accounted for nearly one-third of all activity, targeting low-risk, core assets—segments that had seen limited interest during the rate reset period. This interest will likely be sustained following a further quarter of stability in prime yields at 5.25%.

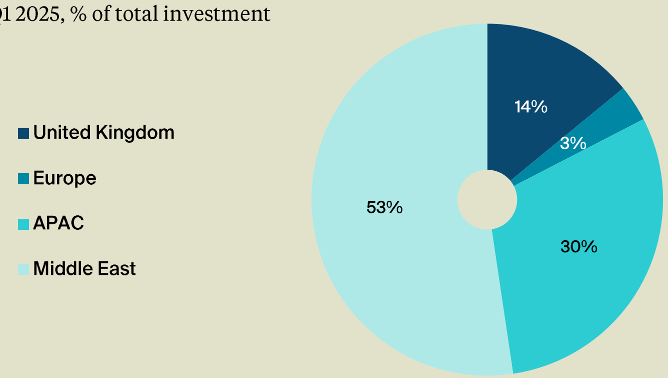
Renewed geopolitical volatility, including new US trade tariffs, may temper optimism. Yet, history shows such uncertainty often redirects capital towards safe havens. For many investors, London remains precisely that.

City & Southbank: Prime yield and UK 10 year gilt yield
Q1 2025, % of total investment



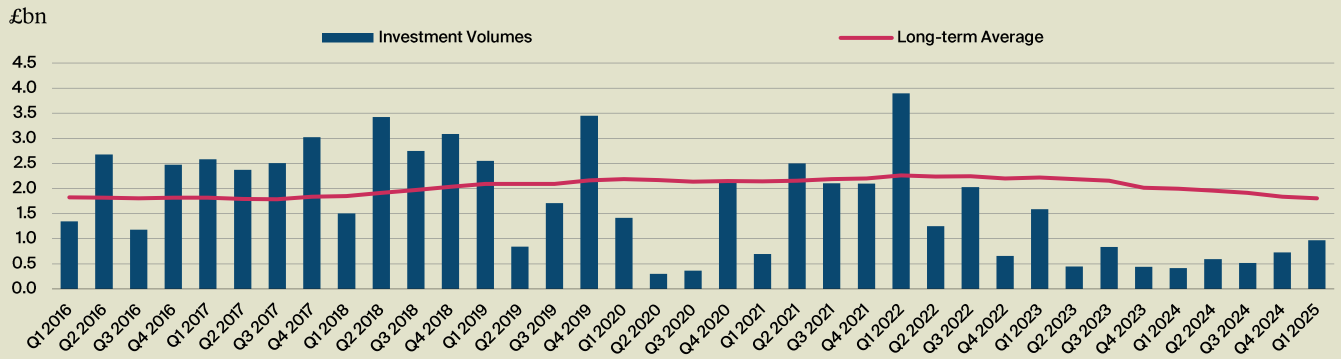
Source: Knight Frank Insight

City & Southbank: Investment volumes by nationality
Q1 2025, % of total investment



Source: Knight Frank Insight

City & Southbank: Investment volumes relative to trend



Source: Knight Frank Insight

City & Southbank offices

Prime rents reach £100 per sq ft in City Core

SLOWER, BUT NOT STALLING

The opening quarter of 2025 offered a measured, not meandering, start for the City and Southbank office markets. Total take-up fell to 1.5m sq ft, down 29.4% from Q4 2024 and 5.4% below the long-term average (LTA). Yet, dig beneath the headline figure and the narrative becomes more nuanced. Lettings of new and refurbished space came in 5.6% above the LTA and accounted for nearly two-thirds (65.6%) of total activity. It seems occupiers remain fixated not just on location, but on quality.

The dip in leasing volumes was broad-based, touching all City and Southbank submarkets. Even so, the City Core and Southbank Core submarkets performed above their respective LTAs, underscoring the continued magnetism of central locations with best-in-class amenities and transport links. Despite macro headwinds, demand in prime areas is proving resilient.

DIVERSE DEMAND FUELS FOUNDATIONS

The professional services sector was the main engine of City leasing, accounting for 28.0% of take-up. Close behind were financials (22.4%) and tech, media, and telecoms (19.6%). In a market defined by polarisation, the presence of three solid pillars of demand suggests a healthy underlying foundation. And the pipeline looks promising. Deals in solicitors' hands total 1.6m sq ft in the City and nearly 300,000 sq ft in Southbank.

SUPPLY: SLIMMING AND SELECTIVE

Availability is on a downward trajectory. In the City, space on the market fell 6.7% during Q1, pushing the vacancy rate down from 9.2% to 8.5%. While this remains 0.9 percentage points above the LTA, the trend is downward. Notably, new build vacancy is 0.9%, now 0.4 percentage points below its LTA. Southbank's core submarket followed suit, with vacancy falling from 9.2% to 8.6%, though still 3.9 percentage points above the LTA. New build availability in Southbank stood at 1.8%, broadly in line with historical norms. Development completions in the City were modest and, crucially, mostly pre-let. Of the 737,240 sq ft delivered, 79.1% was already pre-let.

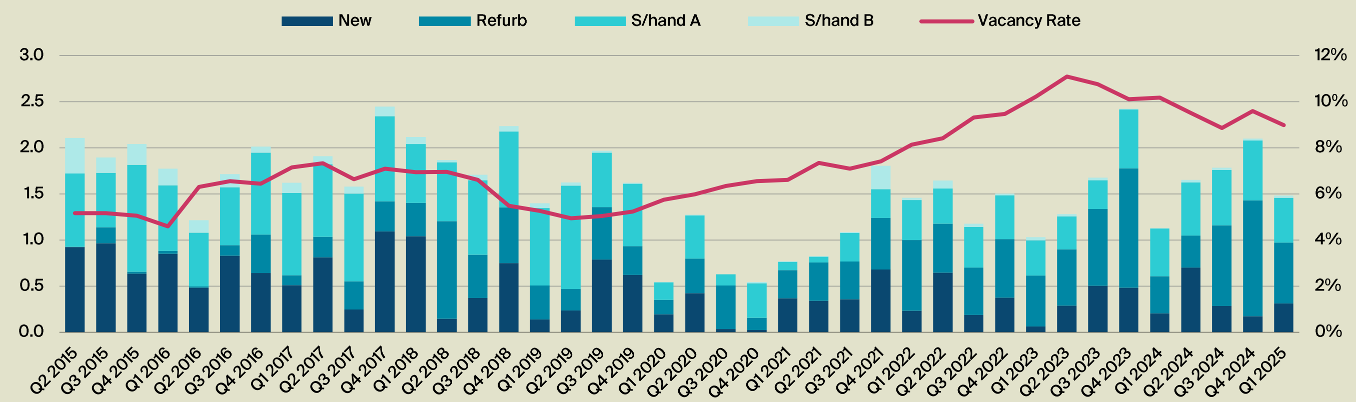
With speculative construction across the City and Southbank standing at 5.8m sq ft and potential future schemes contributing 3.9m sq ft, pipeline supply falls well short of projected demand. Expected new and refurbished take-up of 17.3m sq ft and lease expiries totalling over 24.1m sq ft in the next five years suggest a tightening market, especially for Grade A space.

PRIME SPACE, PREMIUM RENTS

Limited supply, strong demand and occupier fight for quality continue to drive prime rents higher. In Q1, the City Core saw prime rents rise from £95 to £100 per sq ft, while Southbank Core moved from £82.50 to £90 per sq ft. Incentive packages remain stable at 24–27 months, but competition for best-in-class space continues to exert upward pressure.

City & Southbank: Take-up by quality and vacancy rate

M sq ft (LHS), % of stock (RHS)



Source: Knight Frank Insight

West End offices

Sentiment turning positive for core-risk assets

INVESTORS RETURN TO CORE ASSETS

In Q1 2025, the West End achieved investment turnover of £1.6bn, marking a 27.2% increase from the previous quarter and a 22.3% outperformance against the LTA.

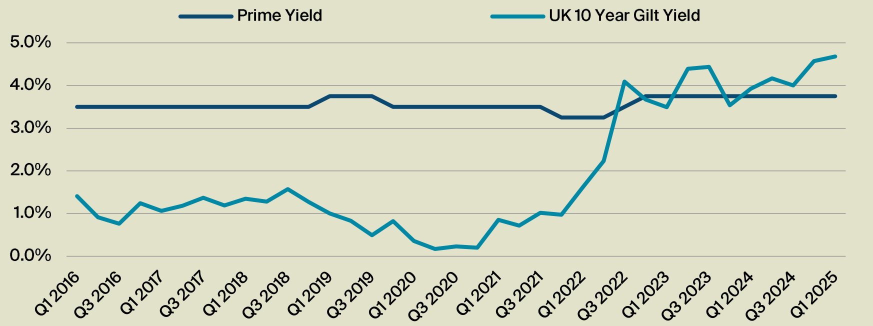
The increase in investment volumes during Q1 was driven by an improvement in transactions involving larger lot sizes. Deals valued over £100m totalled £1.1bn, compared with £0.4bn recorded in the previous quarter. As a result, transactions over £100m accounted for 71.6% of the market.

Core assets accounted for 73.0% of investment activity in Q1, with core plus assets attracting an additional 13.9% (£0.2bn). Unlike previous quarters, value-add assets accounted for just 13.1% of Q1 investment volumes.

The two largest West End transactions in Q1 involved Norges Bank Investment Management, who acquired a 25% non-controlling interest in Shaftesbury Capital's Covent Garden estate for £570m, as well as a 25% stake in a Grosvenor mixed-use estate, clustered around Grosvenor Street and Mount Street in Mayfair, for £305.7m. The positive outlook was further supported by continued stability in prime yields, which have remained at 3.75% for the tenth consecutive quarter.

West End: Prime Yield and UK 10 Year Gilt Yield

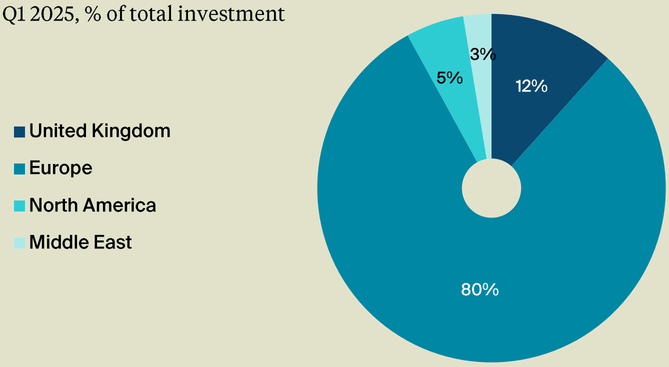
Q1 2025, % of total investment



Source: Knight Frank Insight

West End: Investment volumes by nationality

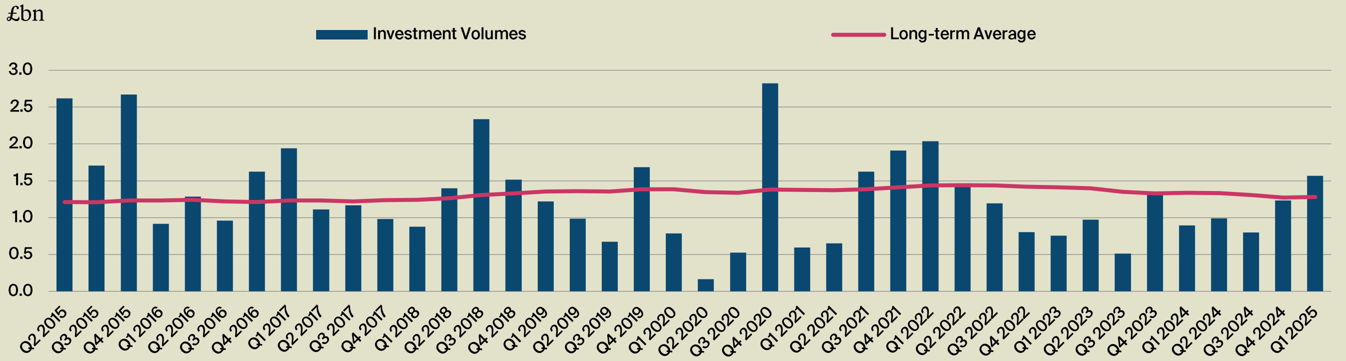
Q1 2025, % of total investment



Source: Knight Frank Insight

West End: Investment volumes relative to trend

£bn



Source: Knight Frank Insight

West End offices

Slower take-up but demand for prime continues to fuel rental growth

WEST END OFFICE MARKET BALANCES COOLING DEMAND WITH STRUCTURAL STRENGTH

The West End office market entered 2025 on a more subdued note, with quarterly take-up falling to 901,035 sq ft. This marked a decline of 18.6% compared to the final quarter of 2024 and placed quarterly activity 16.5% below the LTA. While the figures reflect a deceleration, the underlying fundamentals of the market remain broadly stable. New and refurbished lettings accounted for nearly two-thirds of total activity and were 24.2% above the LTA, indicating continued flight to quality among occupiers. The appetite for high-specification, ESG-aligned space remains the defining dynamic in a market characterised by cautious optimism.

The top three transactions of the quarter were pre-lets located outside the traditional West End core; at 40 Grosvenor Place in Knightsbridge, Belgrave House in Victoria, and the M Building in Marylebone. This outward shift in activity highlights an important emerging trend of strong occupier demand outpacing the availability of premium-grade space within the core.

DIVERSE DEMAND SUPPORTS MARKET RESILIENCE

Take-up during the quarter was driven by financial services, which accounted for 32.1% of total activity. Corporates followed at 19.9%, while the technology, media and telecoms (TMT) sector contributed 18.8%. Both the financial and corporate sectors outperformed their historical averages.

FORWARD INDICATORS REVEAL A POSITIVE OUTLOOK

Deals in solicitors' hands total 965,191 sq ft, with the West End Core accounting for 22.3% and Marylebone for a further 17.6%. Meanwhile, active demand in the West End rose by 23.7% to 2.0m sq ft across 65 live requirements. Nearly 70% of this was attributable to financial and TMT occupiers, with both sectors having increased their requirements over the quarter.

SUPPLY GROWTH CONCENTRATED, NOT WIDESPREAD

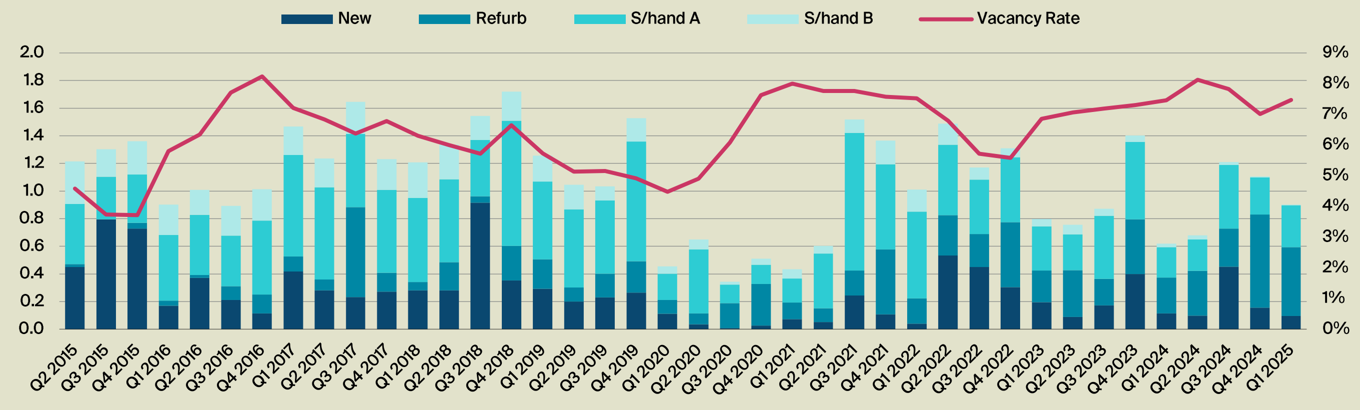
Availability increased by 7.0% in Q1 to 7.1m sq ft, driven predominantly by an 18.3% increase in the availability of refurbished space. The availability of brand-new space in the West End contracted by 5.6% over the quarter.

Development activity remains measured. The total volume of space under construction at the conclusion of Q1 was 6.6m sq ft, of which 2.1m sq ft is pre-let. Looking just at space under construction when compared to historic take-up of new or refurbished space in the West End, there is a projected shortfall of 2.4m sq ft between 2025 and the end of 2028.

PRIME RENTS CONTINUE TO CLIMB

Despite a quarter of softer leasing activity, prime rents continued their upward trajectory. In the West End Core, prime rents rose again during Q1, up from £160 to £167.50 per sq ft. This is driven by a combination of resilient demand and constrained availability of high-quality space.

West End: Take-up by quality and vacancy rate
M sq ft (LHS), % of stock (RHS)



Source: Knight Frank Insight

Docklands & Stratford offices

Education occupiers drive large rise in quarterly take-up

EDUCATION SECTOR ACTIVE ONCE AGAIN, ALONGSIDE FINANCIAL OCCUPIERS

Q1 take-up in the Docklands and Stratford market reached 167,540 sq ft, a 117.4% increase on the previous quarter, although it remained 10.6% below the LTA. This leasing activity was spread across eight lettings with an average size of 20,943 sq ft, 63.1% above Q4 2024.

Leasing activity was evenly distributed between new and refurbished space and second-hand stock, accounting for 46.7% and 53.3% of Q1 take-up, respectively. This demonstrates that the Docklands & Stratford market is able to accommodate occupier requirements, focusing on both best-in-class space and those seeking relative value.

The largest transaction during Q1 was Elizabeth School of London's 74,106 sq ft acquisition at Harbour Exchange, HX1 & HX2, E14. This transaction was an expansion of the educational occupier's existing footprint, and continues the trend seen in the previous quarter where educational occupiers continue to commit to space in this market. The next largest transaction in Q1 was Zopa's 44,385 sq ft deal at 20 Water Street, E14, with a headline rent of £65.00 per sq ft.

Educational users dominated take-up, accounting for 43.1% of quarterly leasing activity, with financial occupiers accounting for a further 26.5%. Flexible workspace providers accounted for an additional 18.1% of take-up in Q1.

MARGINAL INCREASE IN AVAILABILITY

Availability increased by 3.6% over the quarter to 3.9m sq ft, equating to an overall vacancy rate of 15.2%. Whilst availability has fallen 12.7% year-on-year, it remains 49.5% above the LTA.

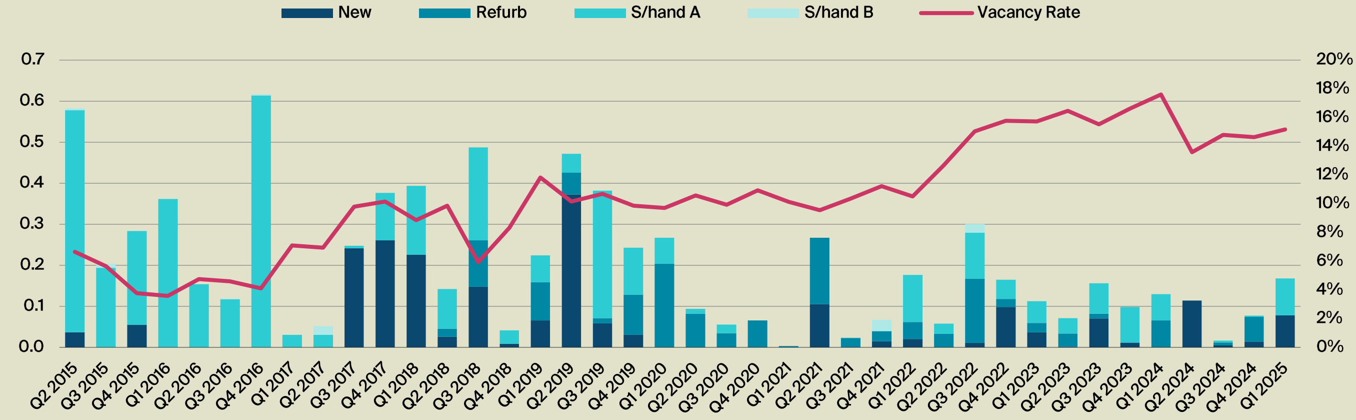
Mirroring this quarter's leasing activity, the balance between new/refurb and second-hand availability remains relatively even, with new/refurb space accounting for 52.1% of total availability at the end of Q1, with second-hand space accounting for 47.9%.

In Canary Wharf, availability remained flat over the quarter at 2.5m sq ft, equating to a vacancy rate of 13.7%. The supply of new/refurb space fell by 11.0% over the quarter to 1.0m sq ft, equating to a new/refurb vacancy rate of 5.7%.

At the end of Q1, there was 718,338 sq ft of space under construction in the Docklands & Stratford market, which comprises two schemes. 17 Columbus Courtyard, E14, is expected to reach practical completion in 2026 Q4, delivering 178,338 sq ft of speculative space. One North Quay, E14 is scheduled to complete by the end of 2027, providing 540,000 sq ft of speculative space.

Prime rents are unchanged in both Docklands and Stratford markets. In Canary Wharf, prime rents are £57.50 per sq ft, and in Stratford they remain £48.50 per sq ft. Rent-free periods also remain unchanged at 27-30 months on a standard 10-year lease.

Docklands & Stratford: Take-up by quality and vacancy rate
M sq ft (LHS), % of stock (RHS)



Source: Knight Frank Insight

South East offices

Despite a dip in investment volumes, a rising deal count alongside a significant pipeline of assets under offer and being marketed indicates investor confidence at the 'prime' end of the market

INVESTMENT ACTIVITY EASES, BUT UNDERLYING INTEREST PERSISTS

Following a particularly active Q4 2024, investment volumes moderated during the first quarter of 2025. Total investment reached £259m, 53% below the five-year quarterly average. Nonetheless, market engagement continues to show improvement, with 25 deals transacted, above the quarterly norm of 20. Four transactions exceeded £20m, led by the £27m acquisition of The Brinell Building, Brighton, indicating continued investor appetite for prime assets where pricing aligns with quality and location fundamentals.

PIPELINE SIGNALS PENT-UP DEMAND

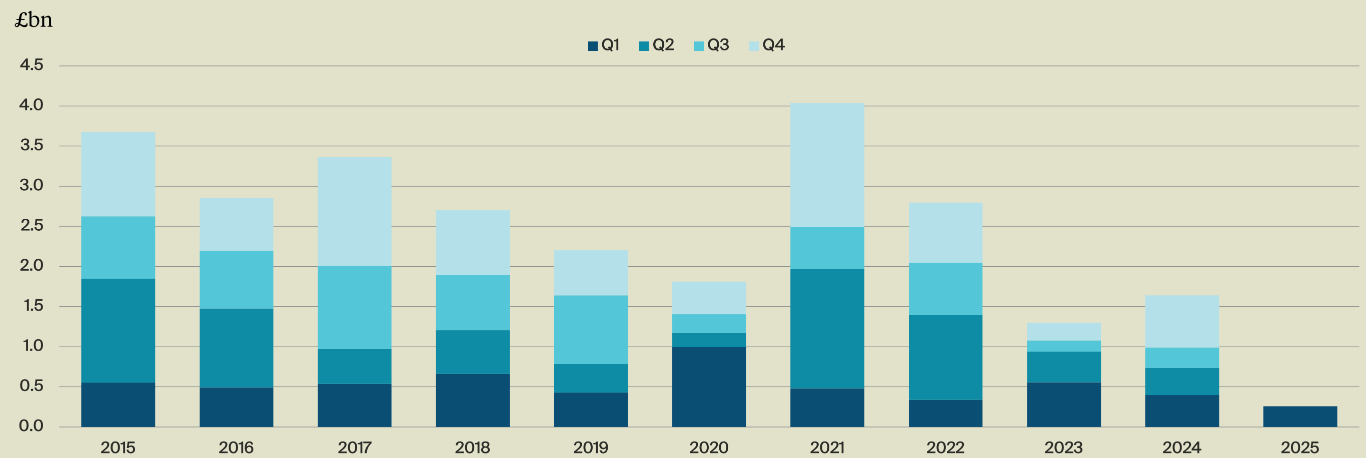
While completed investment volumes softened in Q1, the pipeline of potential transactions points to sustained investor interest. At quarter end, approximately £230m of office stock was under offer, suggesting a potential rebound in activity in the coming months. In addition, £456m of assets were being marketed, reflecting renewed confidence among vendors in the depth of buyer demand.

PRIME YIELDS HOLD STEADY AMID SELECTIVE SENTIMENT

Despite reduced volume, prime pricing remained firm, with yields holding at 7.00%. This resilience suggests that well-let, high-quality assets remain in demand, particularly among investors focused on long-term fundamentals.

By contrast, sentiment toward secondary stock remains cautious, as concerns around capital expenditure, obsolescence, and evolving occupier needs weigh heavily on investor appetite. Many investors are adopting a more selective and risk-averse approach, prioritising quality over quantity in a polarised market landscape.

South East: Investment volumes



Source: Knight Frank Insight

South East offices

Leasing activity saw its strongest Q1 performance since 2008, underpinned by larger requirements and sustained demand for best-quality space

STRONG START TO THE YEAR FOR SOUTH EAST OFFICE LEASING

The South East office market began 2025 with notable momentum. Leasing activity increased in Q1, with total take-up reaching 1.2m sq ft – a 39% increase compared to Q4 2024 and the strongest opening quarter to a year since 2008. The scale and breadth of activity was underscored by the completion of 107 leasing transactions, significantly above the five-year quarterly average of 70, and highlighting a broad-based uplift in occupier engagement across the region.

LARGER FOOTPRINTS UNDERPIN TAKE-UP

A key feature of Q1 2025 was the marked increase in larger leasing transactions. Fourteen deals exceeded 20,000 sq ft, the highest number recorded since 2023. BAE Systems' acquisition of 155,250 sq ft across two buildings at South Oak Way, Green Park, headed examples of larger occupational footprints during the quarter. This deal represents the largest transaction of its kind in over a year. The average deal size rose to 11,650 sq ft, marginally ahead of 2024's average, reflecting the composition of letting activity during the quarter.

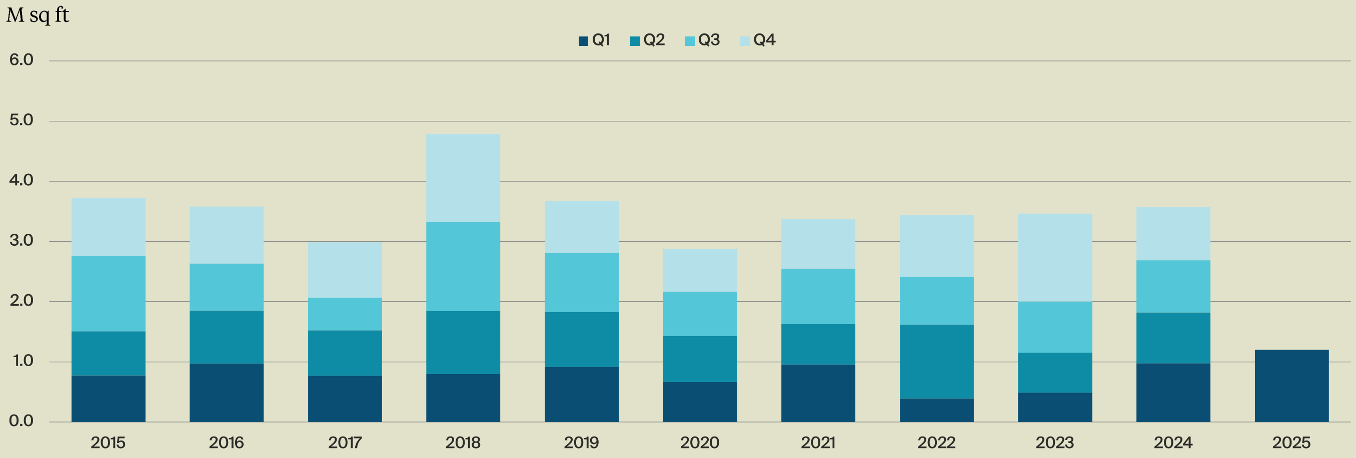
'BEST IN CLASS' SPACE CONTINUES TO DOMINATE

Tenant preferences remain resolutely aligned with the flight-to-quality trend. Demand is concentrated in modern, energy-efficient, strategically located buildings, reflecting ongoing shifts in workplace expectations and ESG priorities. In Q1 2025, 86% of total take-up was secured in New and Grade A space, reaffirming the dominance of top-tier buildings and highlighting the bifurcation between premium and secondary assets.

SUPPLY CONTINUES TO POLARISE

While take-up surged, overall market vacancy rose marginally to 9.7%, with one-third of available space considered lower quality and increasingly ill-suited to modern occupier needs. The development pipeline remains limited, with just over 1.8m sq ft of speculative office space under construction with a delivery date before 2028, albeit close to two-thirds of this total is located in West London and Cambridge. This subdued pipeline reflects both the elevated cost environment and selective appetite for speculative development, but also amplifies the ongoing pressure on the supply of best-in-class product and opportunities ahead.

South East: Occupier take-up



Source: Knight Frank Insight

UK Cities offices

Investment activity was modest in Q1 following a marked reduction in larger transactions, although prime pricing held firm as investors focused on low-risk, core assets

INVESTMENT VOLUMES FALL

Investment activity finished below trend in Q1, reaching £151.8m across the 10 regional centres tracked. This figure reflects a 71% fall quarter-on-quarter and is 38% below the 5-year Q1 average.

Following a lack of activity, the average deal size fell to £8.0m, 56% below the 5-year average of £18.3m. Despite this, the number of deals completed fell by only 13% from the 5-year average of 22 to 19 in the first quarter of 2025.

Geopolitical uncertainty, including the implications of Trump's tariffs on the commercial real estate sector, is set to challenge the investment market in 2025. However, 'prime' assets will continue to be the drivers of activity, owing to the lower level of risk associated.

LARGE LOT SIZES REMAIN SCARCE

In Q1, no deals above £50m completed, with the largest deal involving the sale of 3 Temple Quay in Bristol to Greenridge for £21.4m. In fact, 95% of transactions were for assets below £20m, the highest proportion recorded since Q3 2008. The absence of high-value sales highlights the ongoing changes in market conditions and limited liquidity at the upper end of the market.

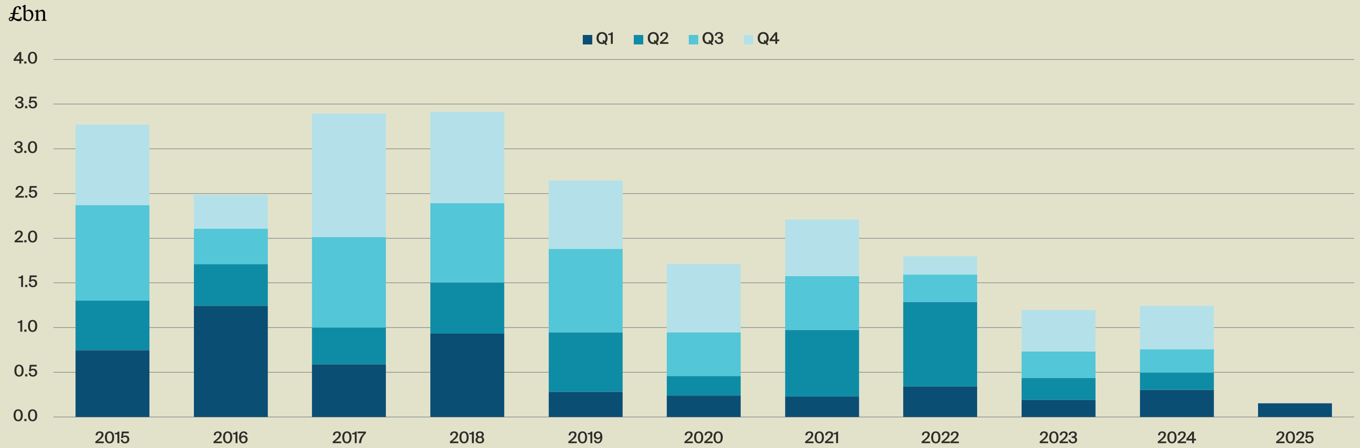
PRIME PRICING STABLISED

Although transaction volumes have declined, pricing at the top end of the market remained stable in Q1 at 6.50%. This reflects a 25 bps yield compression year-on-year and is 175 bps above the pre-pandemic level.

This steadiness highlights ongoing demand for high-quality buildings with strong tenant covenants, particularly from investors with a long-term investment horizon. However, sentiment toward secondary and tertiary assets remains subdued, driven by apprehensions regarding future obsolescence and costs.

Consequently, investors are adopting a more discerning and cautious stance, placing greater emphasis on core assets in an increasingly divergent market.

UK Cities: Investment volumes



Source: Knight Frank Insight

UK Cities offices

Leasing activity remained resilient in the first quarter of 2025, driven by a trio of large deals and strong demand from the technology, media, and telecommunications sector

THE LEASING MARKET REMAINS RESILIENT

Despite take-up registering a 14% decline quarter-on-quarter, the occupier market remained robust in the first quarter of 2025 as leasing volumes reached 1.4m sq ft across the ten regional cities. This reflects a 27% increase when compared to the equivalent point in 2024 and is 8% above the 10-year Q1 average. Notably, this is the strongest Q1 period recorded in 3 years.

Throughout Q1 2025, 256 leasing transactions completed across the UK cities. This total is 4% above the level recorded in Q4 2024 and is 3% above the 5-year quarterly average of 248 deals. As such, the average deal size fell by 1,234 sq ft, from 6,864 sq ft last quarter to 5,630 sq ft.

LARGER REQUIREMENTS DRIVE OCCUPIER DEMAND

In Q1 2025, larger footprints underpinned take-up, with three deals above 100,000 sq ft having completed. This is the highest quarterly total since Q4 2020.

The largest occupier deal to complete involved The Department for Work and Pensions (DWP), which took a pre-lease of 173,245 sq ft at the entirety of 1 Pilgrim Place in Newcastle. This marks the largest public sector deal to complete since Q4 2021. This was followed by Autotrader taking 130,000 sq ft on a pre-lease at Bruntwood SciTech's 3 Circle Square, recommitting to Manchester as its home.

TECH FIRMS MOST ACTIVE

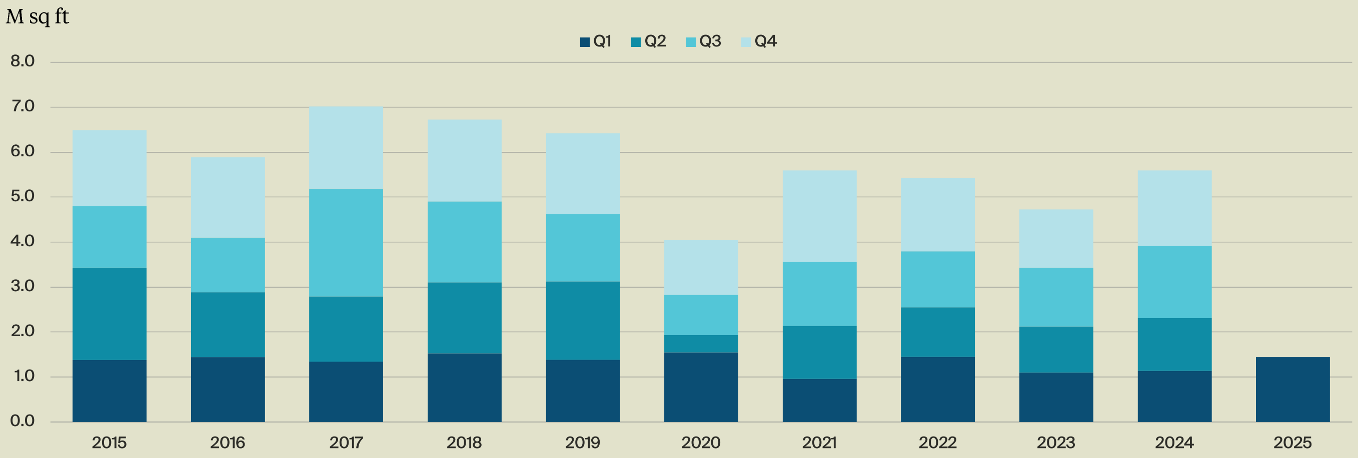
The technology, media, and telecommunications (TMT) sector represented the highest proportion of occupier demand in Q1, accounting for 20% of space leased and 60 out of the 256 deals completed. Notably, firms derived from this occupier grouping accounted for the greatest number of deals done in 7 out of the 10 regional centres tracked.

MARKET DIVERGENCE

Take-up of new & grade A space accounted for 52% of total space leased across the 10 UK cities in Q1, reflecting a clear preference for best-quality space. The 'flight to quality' has become a 'fight for quality', with vacancy at this end of the market representing just 3.0% of office stock.

Looking ahead, there is a total of 2.6m sq ft of brand new and comprehensively refurbished space under construction across the regional cities. With delivery dates up to the end of 2027, more than one-third of this space has been pre-let. The limited pipeline offers little relief for tenants looking to secure 'prime' space.

UK Cities: Occupier take-up



Source: Knight Frank Insight

Industrial & distribution

Investment and occupational markets

CONTACT: CLAIRE WILLIAMS & DEIRDRE O'REILLY

Industrial & distribution

Busy opening quarter for investment, with strong overseas representation

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INVESTOR MOMENTUM BUILDING

The UK industrial investment market showed further signs of improving sentiment in Q1 2025. A total of £1.6bn was invested during the quarter, up 9.6% from Q1 2024*. Several sizeable transactions completed, and when combined with the strong finish to 2024, this has provided an increasing number of comparables to price off in this new cycle.

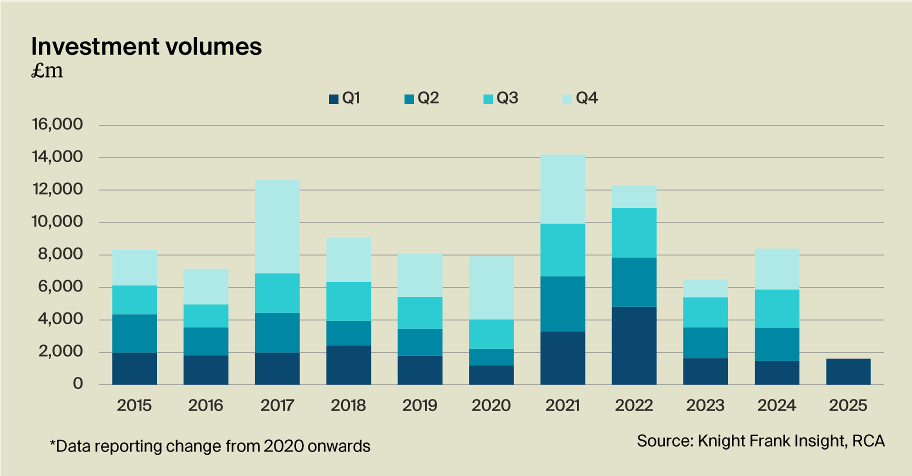
While confidence is rising, and buyer and seller expectations are beginning to align more closely, a pricing mismatch persists. Many sellers are unwilling to adjust their pricing expectations, which continues to impede deal flow. Meanwhile, ample capital is still waiting to be deployed on the buyer side. Investor sentiment for the sector remains strong, despite geopolitical and economic volatility faced since the beginning of the year.

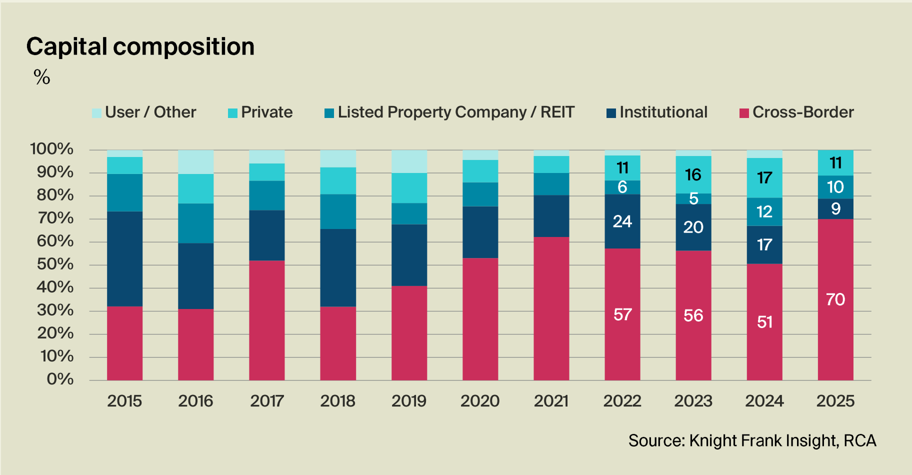
STRONG CROSS-BORDER REPRESENTATION

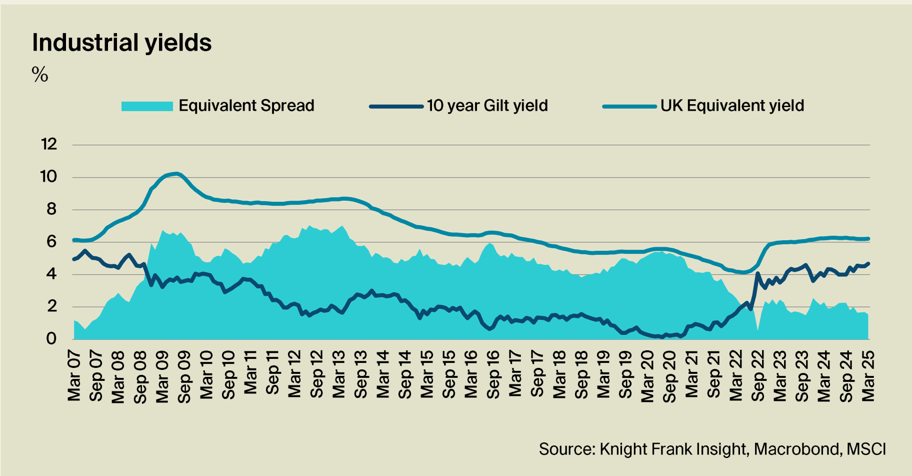
So far this year, overseas investors have dominated the investor profile, accounting for 70% of the Q1 investment total. Institutional capital has been underrepresented compared with previous years. However, with renewed interest from institutional investors, particularly in core logistics assets, we expect this to shift as the year progresses and more opportunities emerge.

VOLATILITY IN YIELDS & GILTS

The UK industrial equivalent yield softened slightly in March to 6.22%, from 6.20% in February and 6.19% in December (MSCI). The 10-year gilt yield softened to 4.67% at end-March. Gilts have been highly volatile in recent months due to both international and domestic factors, and this looks set to continue over the course of the year. As a result, the spread between gilts and industrial equivalent yields tightened to 155bps in March, the narrowest premium over gilts since October 2023.







*Investment volumes reported may differ from previous reporting due to a change in methodology. This change has been implemented for current and historical data.

Industrial & distribution

Steady and resilient occupier market, with an encouraging leasing pipeline and stabilising supply

ACTIVE START TO 2025 FOR LEASING

The UK industrial and logistics occupier market remained active in Q1 2025, with 8.3m sq ft of space committed (units over 50,000 sq ft). The Q1 total was just marginally below the average quarterly total over the past two years of 8.4m sq ft. Annually to Q1 2025, take-up amounts to 36m sq ft, 15% ahead of the four-quarter total to Q1 2024. The leasing pipeline remains encouraging, with several large assets currently under offer and expected to complete in Q2.

Regionally, Yorkshire & the Humber was the standout performer after a relatively subdued 2024, particularly in South Yorkshire. The combined volume of floorspace signed in South and West Yorkshire in Q1 represented 26% of the space committed across the UK.

STABILITY IN THE UK VACANCY RATE

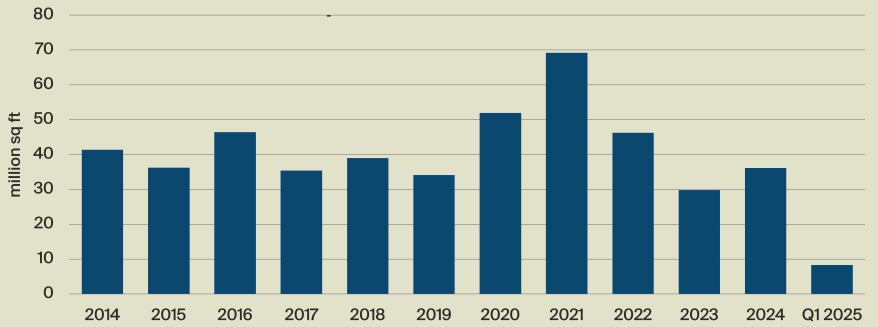
The UK vacancy rate continues to stabilise, remaining unchanged from Q4 2024 at 7.3%. This follows nine quarters of consecutive rises, while it remains below the 10-year pre-COVID average of 8.3%. The supply of existing stock edged up by a negligible 0.1%, driven by new development completions, while the supply of second-hand space tightened for the first time in two years.

Speculative development remains subdued and was 15% lower in the quarter at 11.7m sq ft (units 50,000 sq ft+). Some regional markets face little to no pipeline of new supply, which is likely to support further prime rental growth in these markets.

STEADY BUT SLOWER PACE OF RENTAL GROWTH

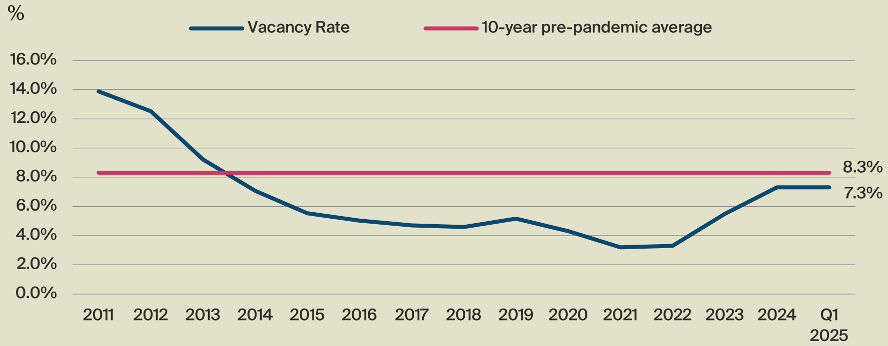
Rental values continue to edge upward, though the rate of growth continues to slow. Monthly average rental growth of +0.49% was recorded in March, up from +0.38% in February but decelerating from +0.60% in December. Annual market rental value growth moderated to +5.4% for the year to March 2025, from +5.5% in the year to December and +6.9% recorded in the year to March 2024 (MSCI).

Take-up (units over 50,000 sq ft)
M sq ft



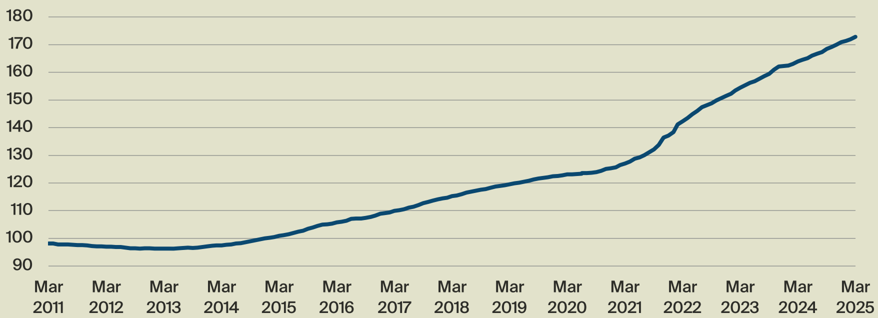
Source: Knight Frank Insight

Vacancy rate (units over 50,000 sq ft)
%



Source: Knight Frank Insight

Average market rental growth
Jan 2010 = 100



Source: Knight Frank Insight, MSCI

Retail & leisure

Retail, high street, shopping centres, out-of-town, leisure, foodstores and Central London

CONTACT: EMMA BARNSTABLE

Retail

Consumer and occupier markets held strong, though investment activity was more measured

RETAIL SALES STRONG OVERALL

Though traditionally among the quietest months in the retail calendar, retail sales were robust (values +2.9% / volumes +2.0%), even without the stimulus of Easter in March. Shoppers continued to benefit from lower inflation (CPI 2.6%) and above-inflation wage growth (+5.6%), translating into increased spending power, which now exceeds pre-pandemic levels in many UK regions (London, East Midlands, Scotland, North West), according to Asda's Income Tracker.

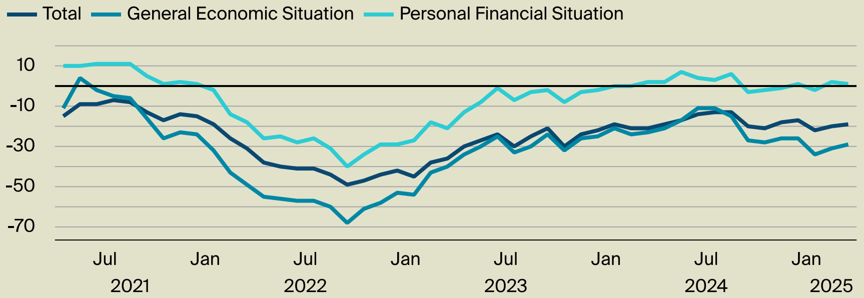
THE FINAL HONEYMOON PERIOD?

Q1 effectively marked the final honeymoon period before a wave of cost pressures hits retailers in April (higher NI contributions, minimum wage increases, reduced business rates relief). Occupier distress remained minimal, largely confined to 'repeat offenders' and online pure-players (Select, Quiz, In The Style). Many operators reported strong trading (Next, Pandora, Footasylum, DFS), while others underwhelmed (H&M, B&M). Announced expansion plans from Mango, Vagabond, and Abercrombie & Fitch contributed to improving vacancy rates (down 10bps to 15.1%). Rental growth also strengthened year-on-year, rising above +1% for five consecutive months, led by retail warehousing and shopping centres.

INVESTMENT ACTIVITY MEASURED

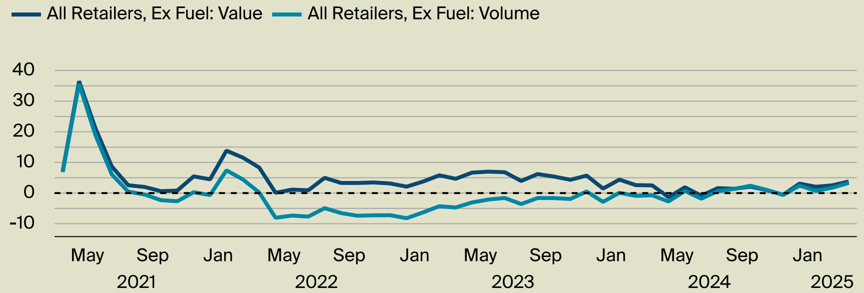
Volumes reached £1.3bn, below the five-quarter average (£1.8bn), though negatively skewed by Q4's exceptional £3.0bn. Retail warehousing dominated (68%), with foodstores (19%) and high streets (11%) also active. Shopping centre investment remained muted, accounting for just 2% of total volumes. However, a strengthening occupier landscape is underpinning investor confidence. Retail capital values grew +3.6% in March alone, effectively turning a corner after two years of decline.

Consumer confidence
Confidence over the next 12 months



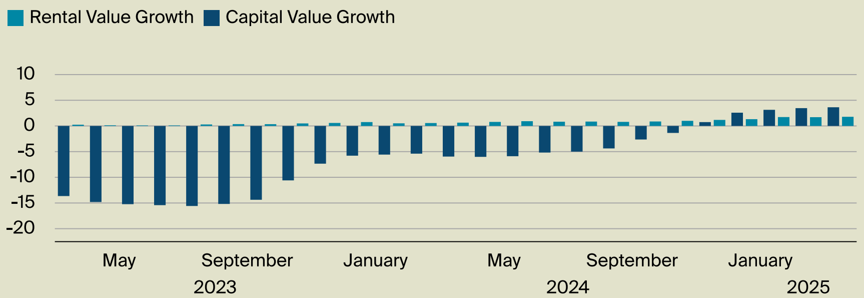
Source: Gfk

ONS retail sales
Monthly year-on-year change, %



Source: ONS

All retail – rental/capital value growth
Rolling 12 month % change



Source: MSCI

High street retail

Minimal occupier distress led to a second consecutive quarter of vacancy rate improvements

DEFLATION STILL EVIDENT

Non-food retail sales were strong overall, with value growth of +3.7%. However, deflation of -0.1% suggests operators continued to lean on discounting to drive demand in some categories. Positively, Jewellery & Watches saw double-digit growth of +15.2%, with healthy implied inflation at +3.5%. Clothing was fairly anaemic, growing just +0.8%, though no longer deflationary, with implied inflation of +0.3%. Categories that had been driving the market in 2024 appeared to unwind: Footwear (-5.7%) and Cosmetics (-6.7%) both saw sales values decline.

VACANCY RATES IMPROVE - AGAIN

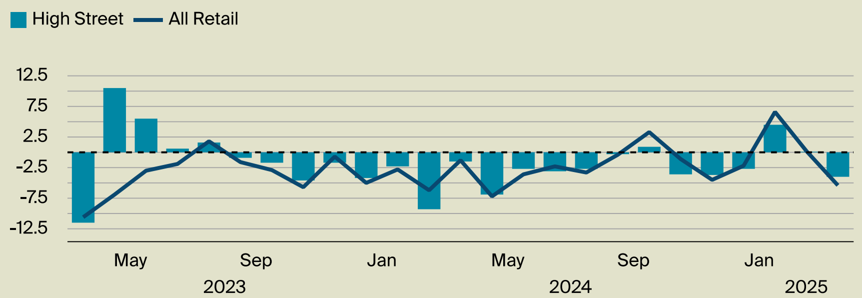
UK high streets saw minimal distress in Q1 (Select to close 35 stores; Quiz 23 closures), though some concern exists regarding future store numbers at WHSmith post-acquisition, and the future of Lakeland. But there were several upbeat trading stories: Footasylum reported its "best-ever" performance following significant store investment; Greggs sees opportunity to expand beyond cities into suburbs; and Mango is ramping up with 20 new stores in key locations. Unit vacancy rates improved for the second consecutive quarter, falling -10bps to 13.7% after a year static at 14.0%, signalling positive take-up trends.

INVESTORS TARGET PRIME

High street investment accounted for 11% of total retail volumes in Q1, totalling £144.7m, up from £130m in Q4. Key deals included KF-advised Tower Bridge Quarter (Southwark, London), a collection of period high street buildings with offices, retail, and F&B, sold for £12.9m (6.80%); and 60-62 & 64 Buchanan Street (Glasgow), disposed by Greenridge for £9.73m (6.35%), representing a prime Scottish high street investment. Prime yields compressed 50bps to 6.50%, while Good Secondary held firm at 10.00%.

High street footfall

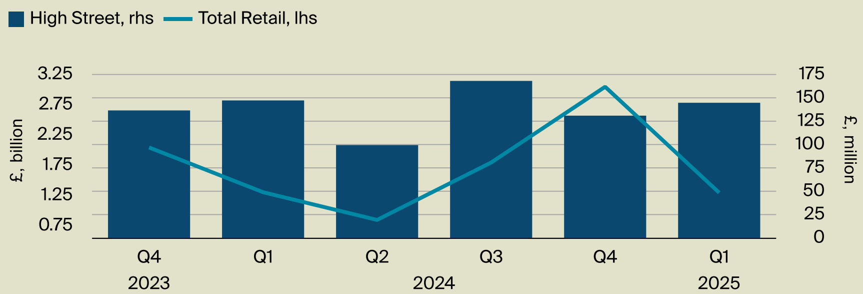
Monthly year-on-year change, %, vs. 2019 levels



*March 2021 – March 2023 figures are compared to 2019 levels

Source: BRC / Springboard

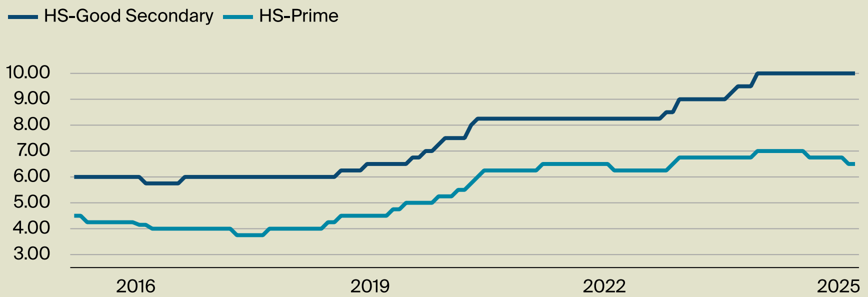
High street investment volumes



Source: Knight Frank Insight

High street yields

%



Source: Knight Frank Insight

Shopping centres

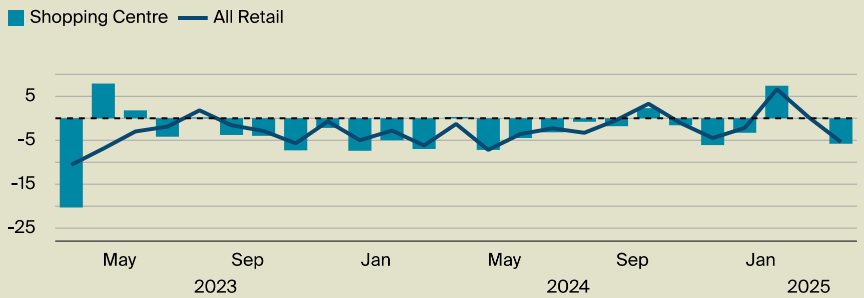
Monthly rental growth returns to positive territory, recording strongest growth in 17 years

SHOPPERS SPLURGE ON SPARKLE
Retail sales were robust overall in Q1 (values +2.9% / volumes +2.0%), with Non-Food outperforming Food (+3.7% vs +1.8%). Deflation persisted in many Non-Food categories, but was largely confined to out-of-town and bulky goods categories. Clothing sales remained subdued (+0.8%) but crucially turned inflationary after a long deflationary run. Footwear, which had posted strong gains through 2023/24, slipped into deflation (-0.4%), indicating some discounting activity. Jewellery & Watches was the clear standout performer of the quarter, posting double-digit growth of 15.2% (values) and 11.7% (volumes).

RENTAL GROWTH TURNS POSITIVE
A long stretch of stable, selective leasing is now feeding through into broader market metrics. Unit vacancy rates saw the strongest improvement across all retail sub-sectors, down 40bps to 16.8% (vs 17.2% in Q4), driven by steady take-up and a resilient occupier base. Monthly rental growth hit 1.5% in March alone, according to MSCI, a sharp improvement from -0.2% in December. This marks the strongest monthly increase seen since 2008, and a clear signal that confidence is returning beyond just prime stock.

INVESTMENT ACTIVITY DISAPPOINTS
Q1 transaction volumes sadly fell short of expectations, with shopping centres accounting for just 2% of total retail investment. Only two deals completed, totalling £19.7m, a stark contrast to Q4's £970m. (Knight Frank advised) Beaumont Shopping Centre in Leicester was acquired by an M Core company, while Market Gates, Great Yarmouth, was sold out of administration to a private investor. Yields held firm at 7.5% for Regionally Dominant schemes and 9.0% for Sub-Regional centres.

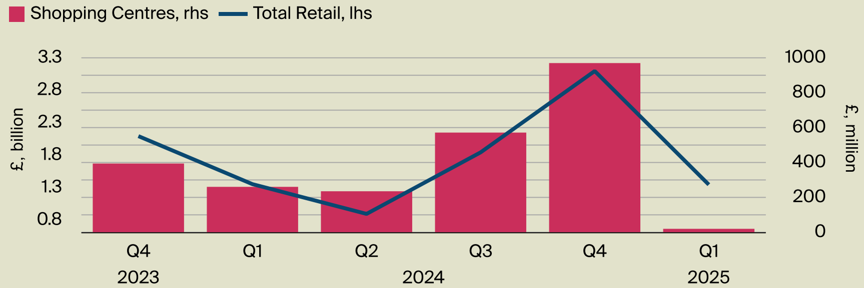
Shopping centre footfall
Monthly year-on-year change, %, vs. 2019 levels



*March 2021 – March 2023 figures are compared to 2019 levels

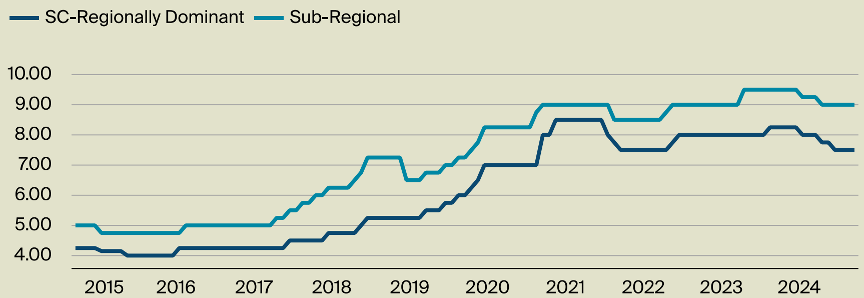
Source: BRC / Springboard

Shopping centre investment volumes



Source: Knight Frank Insight

Shopping centre yields
%



Source: Knight Frank Insight

Out-of-town

Monthly rental growth breaks the 2% barrier for the first time since 2007

DEFLATION STILL EVIDENT

Retail sales were strong overall in Q1, rising +2.9%, with volumes returning to growth at +2.0%. Non-food led with +3.7%, but deflation of -0.1% suggests operators relied on discounting to stimulate still-weak demand in several categories (Electrical Appliances -2.0%; PCs & Telecomms -8.4%; Household Goods -1.1%). However, other sectors delivered both value and volume growth, including Sports Equipment & Toys (+14.7% / +14.6%) and Furniture (+4.0% / +3.1%). Food sales grew just +1.8%, at odds with reported figures from the two largest players, Tesco (+4.9%) and Sainsbury's (+4.5%).

RENTAL GROWTH HITS NEW HIGH

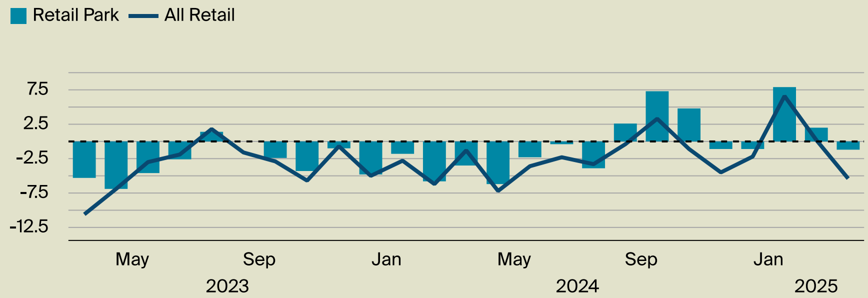
Leasing activity was buoyant and future intent upbeat. Screwfix announced 35 new stores by 2026; Superdrug confirmed a strategy of targeting OOT for 'best-in-class' stores; and Wickes continue to backfill voids left by Homebase and Wilko. Matalan also unveiled plans for 10 new stores following its turnaround. As a result, unit vacancy rates hit a new low of 6.4%, the tightest since 2018, and the 14th consecutive quarter of improvement. Monthly year-on-year rental growth broke through the +2% barrier, marking the first time that threshold has been exceeded since 2007, according to MSCI.

OOT DOMINATES DEALS

Investor conviction held steady in Q1, with the sector effectively propping up the wider retail capital markets, accounting for 68% of total volumes. £881m was transacted, above the five-year quarterly average and spurred by a strong Q4 (£1.8bn). Listed PropCos made up nearly half of all purchases by value (£433m), with institutions contributing £330m. French SCPIs remain among the most acquisitive core-plus buyers, drawn by attractive yields, solid fundamentals, and an added boost from euro-pound FX rates, coupled with ongoing capital raising pressure.

Retail park footfall

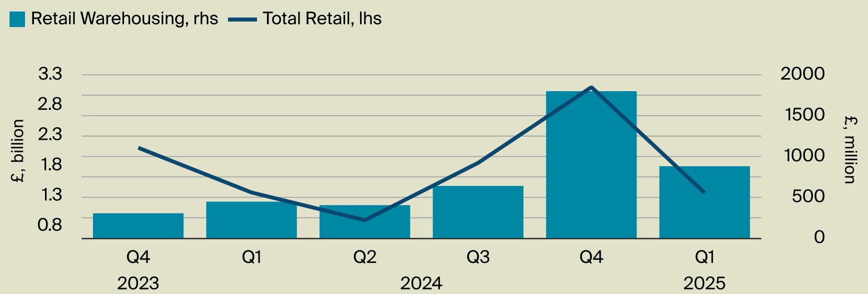
Monthly year-on-year change, %, vs. 2019 levels



*March 2021 – March 2023 figures are compared to 2019 levels

Source: BRC / Springboard

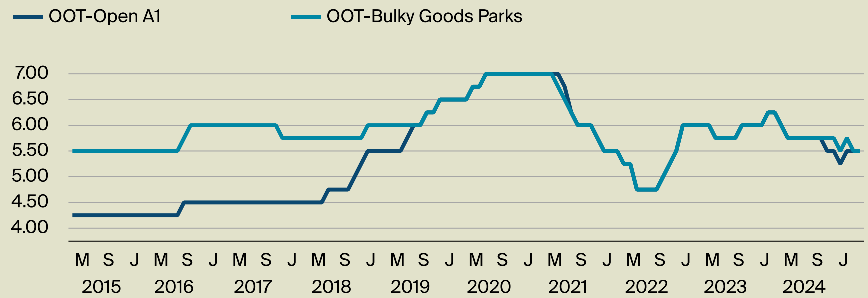
Retail warehousing investment volumes



Source: Knight Frank Insight

Retail warehouse yields

%



Source: Knight Frank Insight

Leisure

City centre leisure holds steady as consumers focus spending on destination experiences

CONSUMERS PULL BACK SPEND

Hospitality and leisure spending continued to grow overall in the first three months of 2025, according to Barclaycard data (Jan +5.3%, Feb +2.9%, March +2.8%), though much of this was driven by digital subscriptions rather than out-of-home entertainment. January was a strong month for eating and drinking out (+3.4%), despite landing straight after the Christmas peak, with solid growth across Restaurants and Bars, Pubs & Clubs (both +2.6%). However, momentum didn't hold, and consumers pulled back from socialising in February (-0.4%) and March (-0.2%), with even Takeaways seeing a dip (-0.8%).

CITY CENTRES PROVE RESILIENT

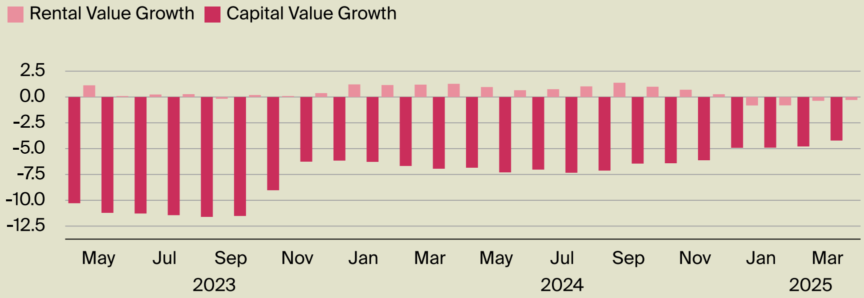
UK leisure and hospitality occupiers continue to face a challenging operating environment, with an average of 20 net closures occurring each week in Q1 2025. Encouragingly, 90% of the top ten cities have maintained the same number of outlets as a year ago, with Glasgow (+5.4%) and Liverpool (+4.5%) showing notable growth. Although food-led premises continue to struggle, contracting by -1.1% in Q1 2025, drink-led occupiers have proved resilient. The number of bars has grown since the pandemic, and pubs have seen a +0.2% increase since Q4 2024.

CINEMA DEALS DOMINATE

Over £18m was transacted across eight deals, below the five-quarter average, according to RCA. Asset sizes ranged from 4,600 sq ft to over 41,000 sq ft, reflecting varied investor demand. Activity was spread across the Midlands, North West, and three separate London sites, with cinemas prominently featured. LondonMetric's acquisition of Highcroft REIT included three leisure assets totalling c.89,000 sq ft. BlackRock was also active, completing cinema disposals totalling £10.8m. Yields held firm, with Prime leisure parks at 8.0% and Good Secondary stock at 9.0%.

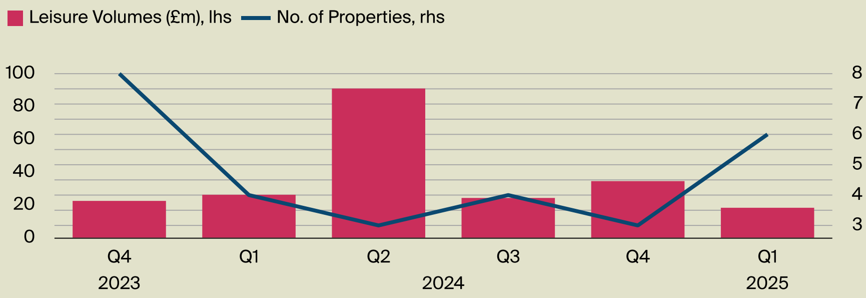
Leisure – rental / capital value growth

Rolling 12 month % change



Source: MSCI

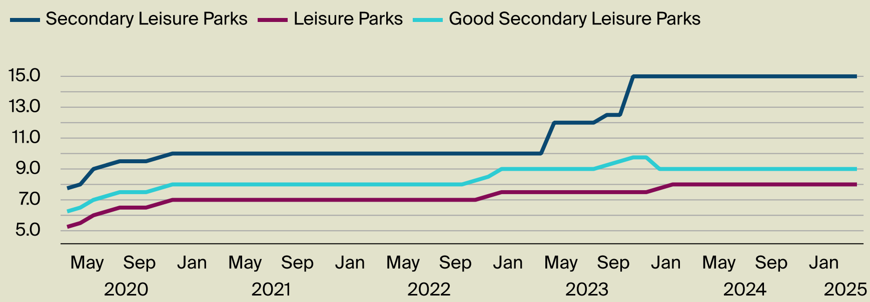
Leisure investment volumes



Source: RCA

Leisure yields

%



Source: Knight Frank Insight

Foodstores

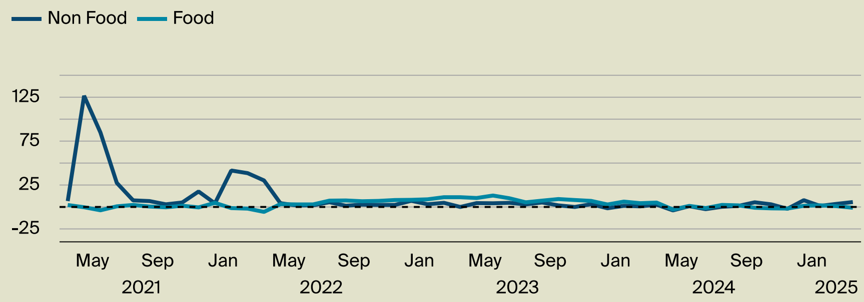
Discounters tighten their grip as value remains the battleground for spend

PROMOTIONS DRIVE SPENDING
Food sales (values) rose by just +1.8% in Q1, according to the ONS, with volumes down -0.8%. Shoppers continued to prioritise value: March saw the highest level of grocery promotions in four years, with deals accounting for 28.2% of take-home sales, according to Kantar. Grocers invested £2.6bn in price cuts that month alone, up 8.8% year-on-year, as they looked to stay competitive amid a slight uptick in inflation, which edged up to 3.5%. Loyalty schemes kept shoppers close: householders visited just under five different grocers on average, the lowest level since 2021.

DISCOUNTERS GAIN GROUND
Grocers reported stronger trading momentum than official ONS data suggests. In March, Tesco and Sainsbury's saw sales rise by +5.4% and +4.1%, respectively, while M&S posted a +13.1% increase in spend, according to Kantar figures. Discounters continued to lead the charge: Aldi gained 100 bps of market share to reach 11%, and Lidl added 50 bps, hitting 7.8%. Together, they attracted over 760,000 additional customers across February and March in a clear sign shoppers are still price-sensitive.

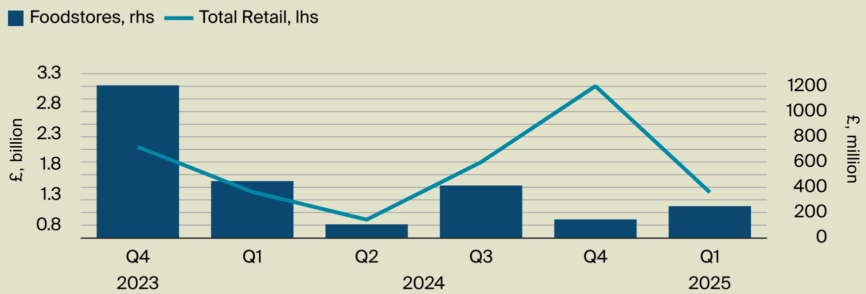
YIELDS HOLD AS VOLUMES RISE
Investment activity picked up in Q1 2025, with £250m transacted across 11 deals. Notable transactions included Supermarket Income REIT's £63.5m sale of Tesco Extra in Newmarket to Tesco itself, a 7.4% premium to the June 2024 valuation, and Aviva's disposal of Sainsbury's in Taunton for £17m, reflecting a NIY of 7.23%. Yields for RPI-linked assets held firm at 4.75%, while Open Market-reviewed yields remained stable at 5.75%. Discounters saw the strongest movement, with yields compressing by 25bps to 4.5%, suggesting continued investor demand for secure income streams.

Food vs. non-food retail sales
Monthly year-on-year change, %



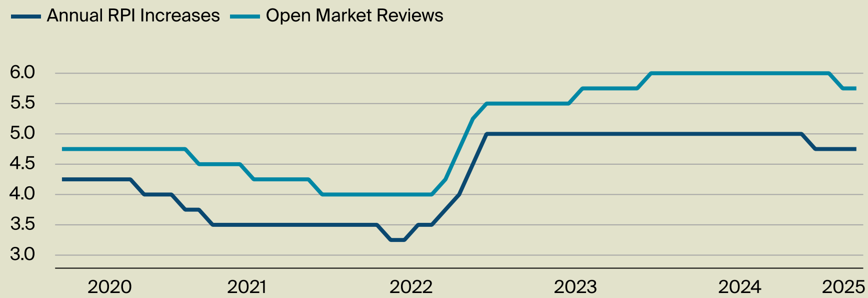
Source: ONS

Foodstore investment volumes



Source: Knight Frank

Foodstore yields
%



Source: Knight Frank Insight

Central London

Luxury retail continues to attract steady investment as brands secure flagship locations

FEWER PURCHASES, BIGGER SPEND

The West End faced a sluggish start to 2025, with footfall down -0.7% and -5.7% in January and February respectively. March saw a welcome +3.4% increase compared to the same month last year. This boost was mirrored by a rise in transactions, up +1.9% year-on-year, driven by both domestic (+1.4%) and international (+2.0%) shoppers. While overall sales were down in Q1 2025, average transaction value (AVT) rose compared to Q1 2024 (Jan +7.9%, Feb +2.4%, March +0.3%) suggesting shoppers were purchasing fewer items, but spending more per transaction.

FIERCE COMPETITION FOR SPACE

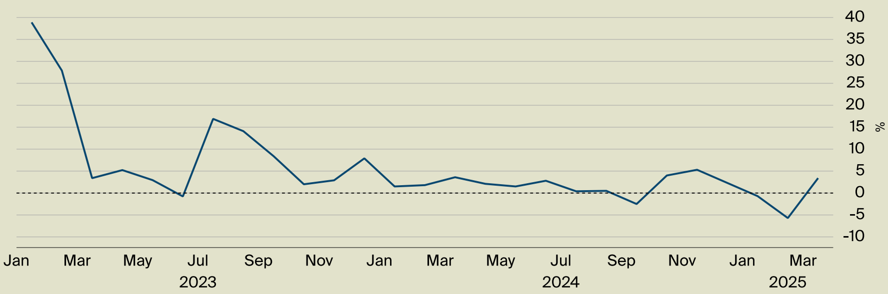
Central London continues to experience high demand for prime retail space, with occupiers facing tough competition for desirable locations. Oxford Street's vacancy rate has now dropped to just 1.4% according to Green Street, highlighting its enduring appeal to operators. With 12 new brands set to open, competition for space will only intensify in the coming months. More broadly, LDC reports that Greater London's high street vacancy remains fairly stable at 9.9%, down -0.1% quarter-on-quarter and -0.6% year-on-year.

PRIME LOCATIONS DRIVE INVESTMENT

Investor volumes increased in Q1, reaching over £312m, almost double Q4 levels (£169m). Lot sizes ranged from £12m to £250m, with key deals including: (Knight Frank advised) Tower Bridge Quarter in Southwark, a collection of period high street buildings with offices, retail, and F&B, sold for £12.9m (6.80%); the buyout of The Outernet by Consolidated Development; and NBIM's acquisition of a 25% stake in Grosvenor's £1.2bn mixed-use portfolio of predominantly retail and office assets. Prada also purchased 150 New Bond Street, Miu Miu's flagship store, for £250m, continuing a trend of retailers securing premium locations for the long term.

West End footfall

% change year-on-year

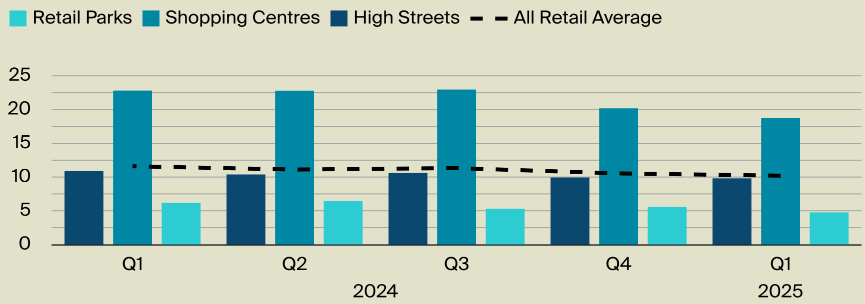


Source: New West End Company

Vacancy rates*

% units

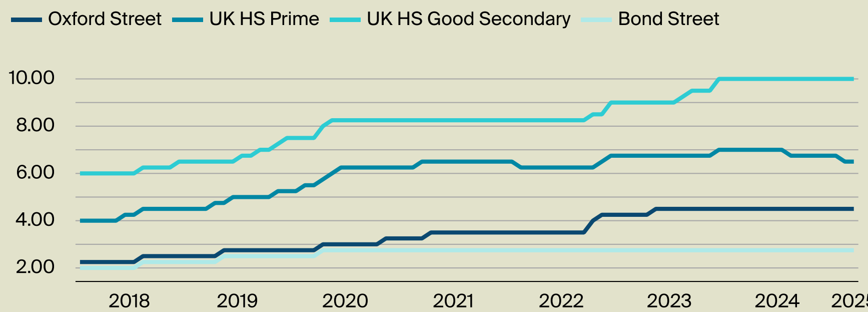
*Greater London



Source: Local Data Company

Yields

%



Source: Knight Frank Insight

Specialist sectors

Data centres, healthcare & life sciences

CONTACT: DATA CENTRES – DARREN MANSFIELD, HEALTHCARE – RYAN RICHARDS,
LIFE SCIENCES – JENNIFER TOWNSEND

Data centres

Despite the government's pledge to accelerate data centre development, grid constraints may undermine these efforts, with power procurement remaining the industry's top challenge

GOVERNMENT LAUNCHES ITS NEW 'AI OPPORTUNITIES ACTION PLAN'

On the 13th January 2025, the UK government launched its new AI action plan, proposing the creation of AI growth zones and including the announcement of data centre projects worth £14bn.

GPU cloud provider Nscale will be investing £2.5bn in the UK, and will build its first UK facility in Loughton. Vantage is constructing a 10-building campus on the site of a former Ford car plant in Bridgend, Wales. Meanwhile, IT service provider Kyndryl is set to create up to 1,000 AI-related jobs in Liverpool.

These commitments, combined with the ongoing expansion of existing facilities, confirm the UK's intention to maintain its position as Europe's leading data centre market and a major global destination.

UPWARD TRENDS IN M&A AND REAL ESTATE INVESTMENT CONTINUE

Institutional investors are active. 2025 kicked off with the acquisition of a three-facility portfolio by Castleforge from Digital Realty. The site spans 11,800 sqm with 26MVA of power and a development value of £100m.

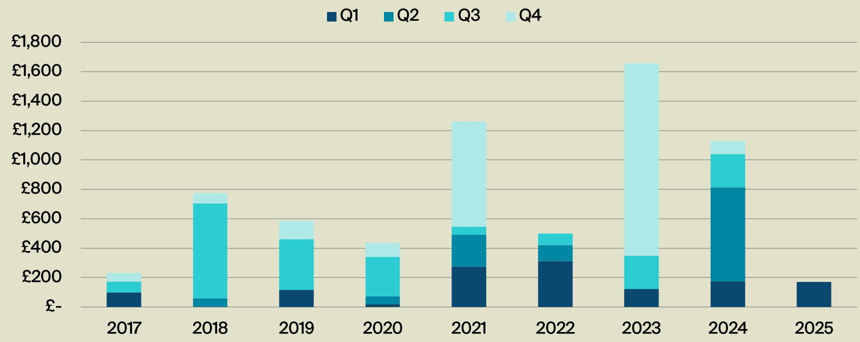
Tritax Big Box acquired a 74-acre site at Heathrow for a 147MW data centre development. First phase development at which will see 107MW deployed, whilst second phase development will see an addition 40MW, with completion expected by H2 2027.

In March, SEGRO partnered with Pure Data Centres for the development of a £1bn fully-fitted facility. SEGRO will be providing access to land, whilst Pure will utilise a 56MW power allocation. The facility will be built at a cost of £850m, alongside £150m in land and power value, at a cost of c.£15m per MW.

PIPELINE VOLUMES ACCELERATE

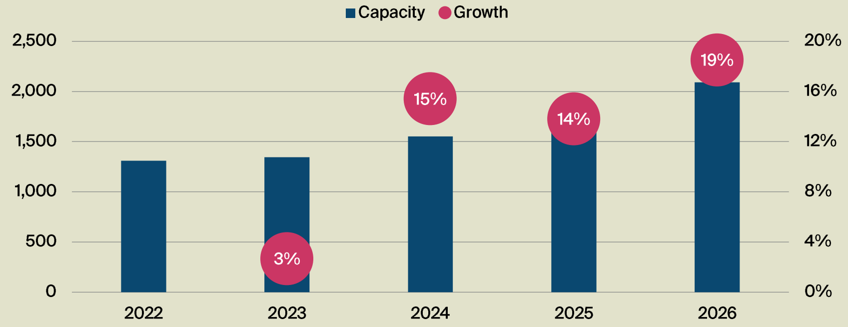
The first quarter of 2025 has seen an additional 400MW added to the UK's pipeline, bringing total development volumes to 4.5GW and requiring a capital investment of c.£60bn.

Investment volumes
£m



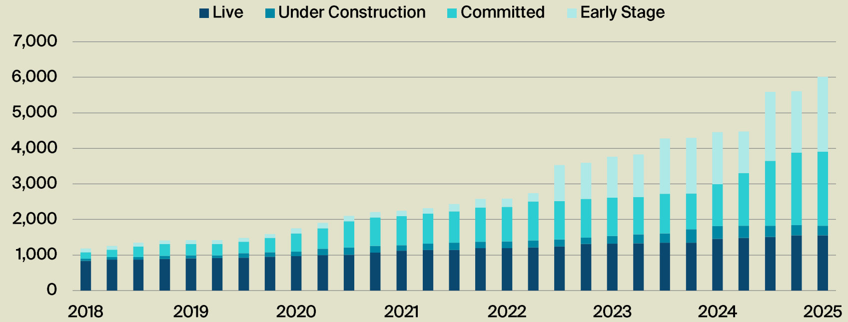
Source: Knight Frank Insight, RCA

Live IT forecasts
MW



Source: Knight Frank Insight

Supply volumes
MW



Source: Knight Frank Insight, DC Byte

Healthcare

Creative deal structures and M&A remain the topic of discussion

ALL OR NOTHING

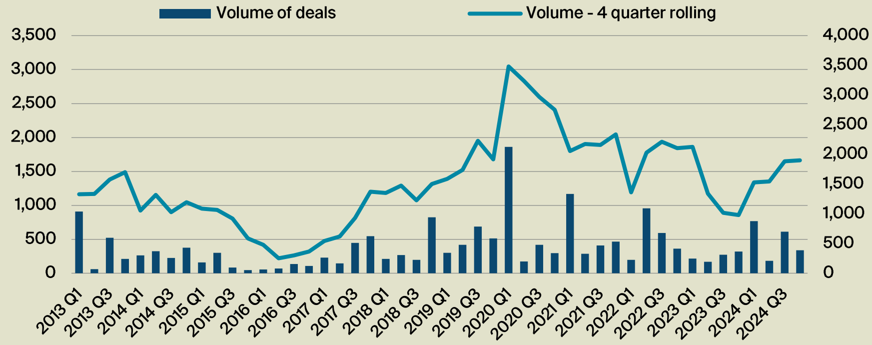
2024 saw transaction volumes cross the £3bn mark. This is firstly a significant improvement on the year, but also a sign of investor confidence returning following various headwinds.

It is worth noting that WHOLECO, as well as sale and leaseback deal structures, have played a significant part in these volumes as operators look to exit the sector or release capital. This strong sector confidence has ultimately continued into 2025, with Q1 transaction volumes currently reported at c.£330m.

We are also seeing what looks like a revival of M&A activity, not only in terms of WHOLECO deals for the operational assets, but also in terms of listed healthcare investors. Primary care REIT Assura has become a target acquisition for private equity giant KKR and rival REIT PHP. Beyond this, US-based Care Trust has shown interest in Care REIT. Recent news of a proposed merger between Aedifica and Cofinnimo would create the 4th largest healthcare REIT globally.

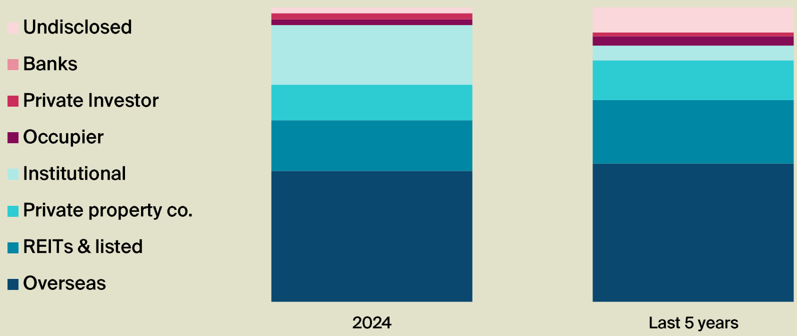
Such activity supports optimism with regard to transacting through the rest of the year, as competition for assets ramps up between well positioned and provisionally well capitalised investors. Whilst this is positive, it is worth considering the fact that such M&A activity would ultimately serve as a door opener to scale and platform growth. It is therefore key to ensure pipelined and current supply is scalable and future proofed.

Recorded healthcare property transactions
£million



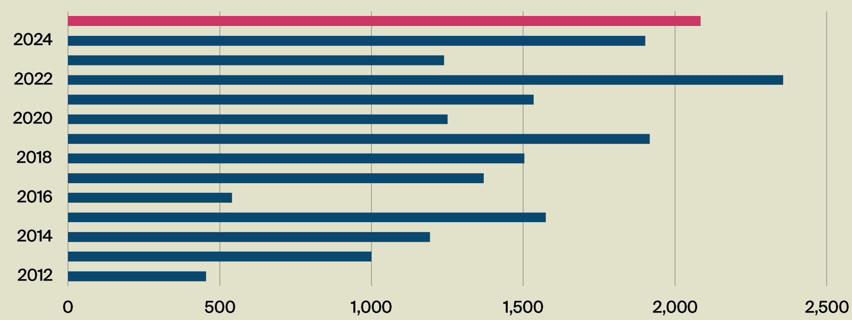
Source: Knight Frank Insight

Healthcare property transactions by buyer type



Source: Knight Frank Insight

Anticipated transaction volume*



*Large portfolio transactions not included in initial predictions

Source: Knight Frank Insight

Healthcare

Strong operations with constrained supply driving new capital to the sector

STABLE OPERATIONS REMAIN KEY FOR SECTOR CONFIDENCE

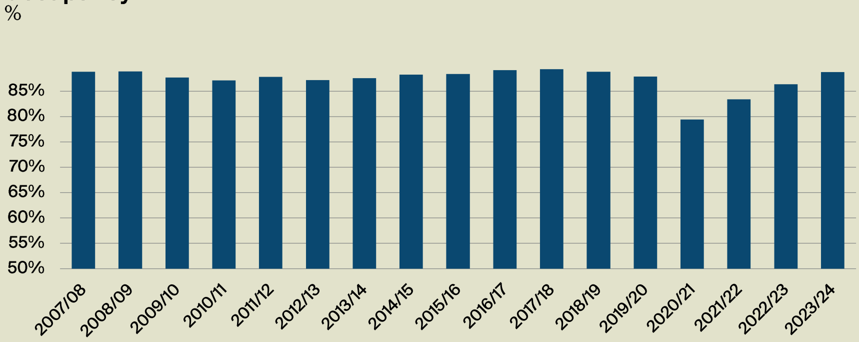
Staffing costs as a percentage of income have decreased to 56.7% from last year's 60%, whilst the all care average grew by c. 7% on the year and currently sits at £1170 per week. This, in addition to occupancies trending at 88.8%, has resulted in an all-round improvement in the levels of operator EBITDARMs, currently trending at an average of 25.9%. This is an improvement from 25.2% in 2023. The sample referred to covers approximately 100k beds, or one-fifth of the total market, and is representative of 70% of the corporate market.

SUPPLY CONTINUES TO LAG

Since our last analysis, supply has grown by just 86 beds. Whilst this has been a combination of period adjustments and more in-depth analysis, splitting out outright new beds instead of reopened ones, it suggests we still have some way to go in combating any future bed deficit.

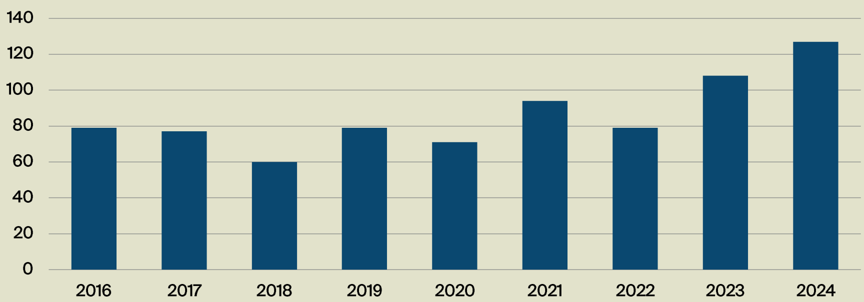
Even more noteworthy is that while bed supply has only grown 2.9% over the last decade, the over-65 population has grown by approximately 20.7% over the same period, demonstrating the flatness in supply growth. We have seen a continuation of the trend for greater de-registrations over the last five years. This is because much of the deregistered stock consists of smaller and older assets, naturally replaced by newer, larger, purpose-built homes. It is also important to note that improvements in the data pool and sources have maintained the level of beds captured among the losses.

Occupancy



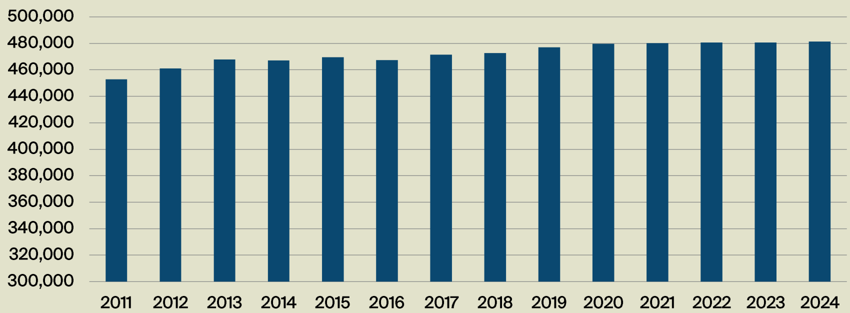
Source: Knight Frank Insight

New UK care homes completed



Source: Knight Frank Insight

Elderly Care Home Beds



Source: Knight Frank Insight

Life sciences

UK life sciences VC hit £1.1bn in Q1 2025, driven by AI-powered companies, yet broader sector growth hinges on unlocking domestic capital, policy clarity, and diverse R&D demand

POLICY GAINING PACE BUT GAPS REMAIN

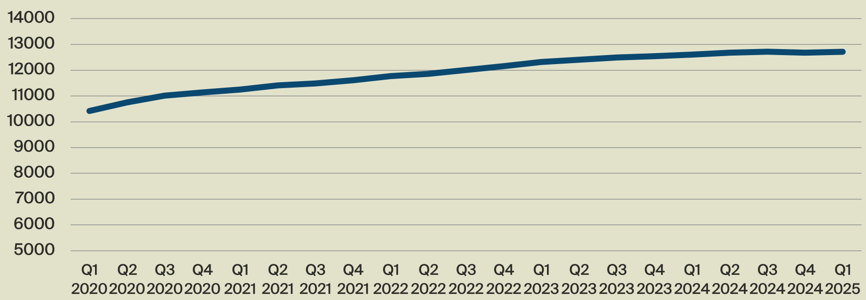
UK life sciences venture capital reached £1.1bn in Q1 2025, the strongest opening quarter since the pandemic-era highs of 2021, and a 36% rise from the previous quarter. Yet, the funding was highly concentrated: just two firms, Isomorphic Labs and Verdiva Bio, accounted for nearly £800m of that total. The sector's enthusiasm for AI was also evident, with six of the top ten deals going to AI-focused companies.

Unlocking more domestic capital is critical. This requirement is underscored by the slowdown in the number of active life sciences companies. The UK's finance ecosystem remains underpowered, and early-stage ventures continue to suffer from fragile funding and short runways. Encouragingly, pension funds and other institutional players are starting to show signs of belief in science-backed growth. Oxford Science Enterprises and Northern Gritstone both attracted fresh backing from these sources.

Government policy is starting to take shape, with life sciences central to the UK's economic growth plans. Recent announcements suggest a willingness to address industry feedback, from VPAG pricing and clinical trial delays to cell therapy manufacturing guidance. The revival of the Oxford-Cambridge Arc, alongside an uplift in the DSIT annual R&D budget, adds weight to the message: the UK wants to compete on the global stage. Furthermore, while US trade policy creates challenges, it also creates an opportunity to attract American scientists. The government's upcoming Industrial Strategy should provide more details on policy related to growing the sector and target locations.

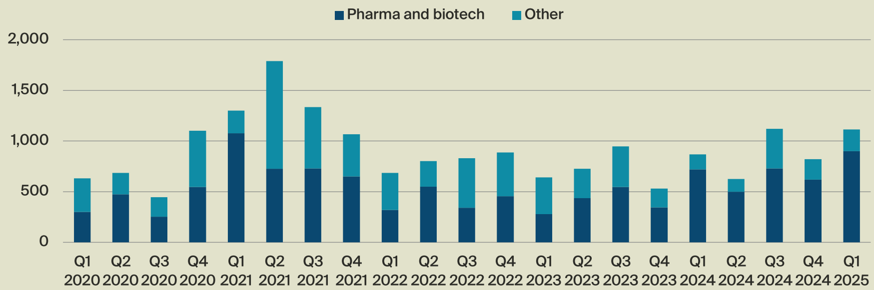
Finally, R&D demand is broadening. While the focus of science R&D is often on human healthcare, emerging sub-sectors—from defence to industrial biotech—are beginning to seek specialised space.

Number of active UK life sciences companies



Source: Knight Frank Insight, Beauhurst

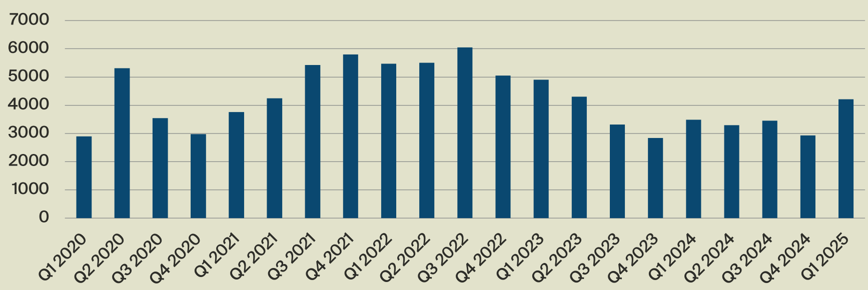
UK life sciences venture capital funding
VC funding into UK life sciences companies, £m



HQ only. Completed deals and full transactions only. Covers: Biopharma, MedTech and Digital health. Data as at 10/04/2025. The data in PitchBook is continuously updated to reflect the most current information. As a result, historical data may change over time.

Source: Knight Frank Insight, PitchBook

Vacancies for pharma and healthcare roles in the UK
Posted job adverts (posted on company websites)



Source: Knight Frank Insight, GlobalData

Life sciences

Q1 take-up doubles, driven by a major Cambridge deal, while investor activity stays selective as supply increases

DOUBLING IN TAKE-UP DRIVEN LARGELY BY ONE STANDOUT DEAL

Take-up activity strengthened in Q1, with leasing from science sectors across the Golden Triangle (London, Oxford, and Cambridge) reaching 219,452 sq ft, more than double the previous quarter and broadly in line with Q1 2024. Cambridge was the standout market, contributing nearly 60% of total take-up, albeit this was largely due to the c.100,000 pre-let by Arm at Peterhouse Technology Park.

London, after a subdued 2024, saw a tentative rebound. Take-up rose to 27,299 sq ft, up from just 2,000 sq ft the previous quarter. The Knowledge Quarter remains the city's most consistent submarket, with Beacon Therapeutics taking over 7,000 sq ft at Rolling Stock Yard. This is followed by White City. With over 170,000 sq ft under offer, there are signals of a better year ahead for the capital.

By contrast, Oxford had a quieter quarter, with leasing down nearly 30% quarter-on-quarter but still outperforming its five-year average.

Total active lab demand across the three cities currently totals 1.17m sq ft, slightly below the 1.65m sq ft of available space, leaving a surplus of approximately 475,000 sq ft. Total named lab demand is higher at 1.47m sq ft, resulting in a smaller surplus of around 174,000 sq ft. However, the supply-demand balance varies not only between cities but also at an intra-city level.

FOCUSED CAPITAL IN Q1 AS INVESTORS PROGRESS DEVELOPMENT PIPELINES

On the capital markets side, investor activity remains subdued—though not absent. Two notable deals were recorded in Q1: Singapore's GIC acquired Royal College Place in King's Cross from Parcelforce, while Brockton Everlast snapped up Worldpay's Cambridge HQ from CBRE Investment Management. These transactions underscore the new reality, whereby investors are narrowing their focus, prioritising core markets and submarkets.

With few suitable buildings coming to market, many landlords are concentrating on progressing development pipelines or repurposing existing stock.

A total of 3.47m sq ft of space is currently under construction across the Golden Triangle, with completion expected between now and the end of 2027.

Key contacts

Offices

Retail

Logistics & Industrial

Healthcare

Life Sciences

Data Centres

Student Property

Automotive

Capital Markets

Valuation & Advisory

Debt Advisory

Restructuring & Recovery

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