

UK Real Estate Navigator



Q3 2025

A quarterly review of the UK commercial real estate market

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The headlines

Our experts share the headlines from their UK CRE sectors this quarter

Economy	Global economy steadies, but risks remain to the downside. The UK's growth outlook has been upgraded, though recovery remains gradual.
Capital markets	US investment in UK CRE accelerated in Q3, with capital deployment rising +19% versus Q2. The IPF forecasts the Industrial sector to deliver the strongest capital and rental value growth in 2025.
Offices	UK Cities: Leasing remains above long-term trend, underpinned by professional services and TMT demand, and intensifying competition for prime space. The investment market shows signs of improvement, with benchmark deals in the pipeline, rising stock availability, and increasing buyer-seller alignment.
	South East: Leasing activity continues at pace, underpinned by larger requirements and sustained demand for best-quality space. Investment volumes continue to show modest improvement, with activity underpinned by an increasing pipeline of assets being marketed.
	London: City & Southbank investment stutters amidst increased volatility in interest rates, whilst safe-haven driven transactions result in volumes rising by nearly a third in the West End. Softer lease-up in key business districts due to seasonality and Budget uncertainty, but structural under supply of best-in-class space remains.
Industrial	In the investment market, portfolio momentum builds, REIT demand rises, and yield spreads narrow. Occupier demand strengthens, vacancy climbs, and rental growth softens.
Retail	The spectre of the Autumn Budget looms large – investors spooked, retail occupiers braced, consumers oblivious, or just indifferent?
Data centres	Hyperscale developers remain committed to the UK, however concerns over the availability and cost of power raise questions as to the UK's large-scale AI competitiveness.
Healthcare	UK healthcare is set for record transaction volumes in 2025, but bed supply constraints still remain an issue despite strong underlying drivers.
Life sciences	UK life sciences funding falls year-on-year, as capital narrows. Domestic M&A eases while reviving globally, and the wider UK innovation economy draws substantial funding. Take-up eases in Q3 as active demand and space under offer increase.

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Economic update

Global and UK economy

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Global economy

Global economy steadies, but risks remain to the downside

GLOBAL OUTLOOK: NAVIGATING A GRADUALLY STABILISING LANDSCAPE

The global economy continues to adjust to a policy landscape that has shifted notably over the past year. While some of the more restrictive tariff measures have been eased through negotiation and recalibration, conditions remain uneven, and uncertainty persists. As we move into Q3, the environment is still evolving, though greater clarity around policy direction and trade structures is beginning to provide a firmer foundation for activity.

The IMF's October 2025 World Economic Outlook Update reflects this cautious improvement, revising its global growth forecast for 2025 to +3.2% (from 3.0% in July) and maintaining +3.1% for 2026, indicating growing confidence.

Inflation dynamics are also becoming more balanced. Headline inflation has moderated across most major economies, supported by stabilising energy prices and improving supply conditions, while core inflation is easing more gradually. This has enabled several central banks to shift toward a more neutral stance, with markets anticipating selective rate cuts into 2026.

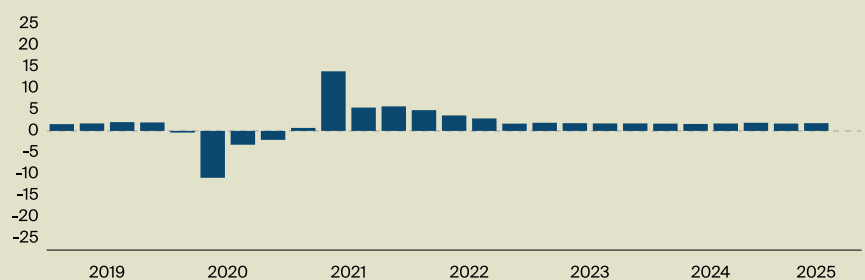
The IMF cautioned that the underlying outlook remains fragile, with risks still tilted to the downside. Rising uncertainty, protectionism, and labour supply constraints could dampen growth, alongside ongoing geopolitical and fiscal pressures.

GLOBAL SERVICES PMI CONTINUES TO BE EXPANSIONARY

The Global Services PMI rose to 53.4 in October, extending its sustained period in expansionary territory (figure above 50). Meanwhile, the Global Manufacturing PMI edged up to 50.8, marking its third consecutive month of expansion.

Gross Domestic Product

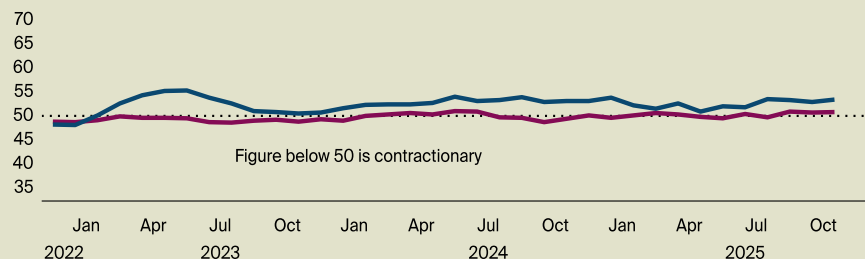
Quarterly OECD countries GDP growth, % change year-on-year, seasonally adjusted



Source: Knight Frank Insight, Macrobond, OECD

Business Activity Index

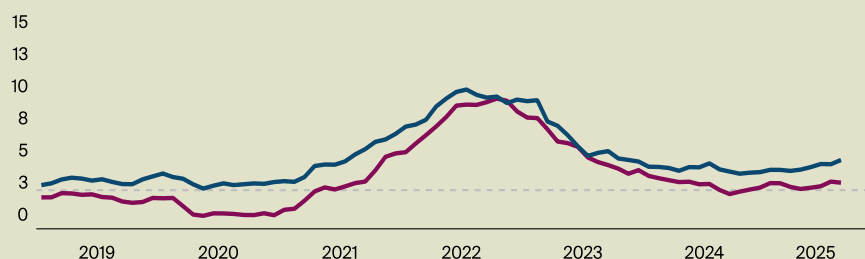
Manufacturing PMI Services PMI



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

Inflation

Advanced Economies CPI Emerging & Developing Economies CPI



Source: Knight Frank Insight, Macrobond, World Bank

UK economy

The UK's growth outlook has been upgraded, though recovery remains gradual

UK OUTLOOK: STEADY, BUT STILL FRAGILE

After an unexpectedly strong start to the year, the UK economy continues to show modest growth but remains under pressure. UK GDP expanded by +0.3% quarter-on-quarter in Q2 2025, following +0.7% growth in the previous quarter. On a monthly basis, UK GDP rose by +0.1% in August, rebounding from a -0.1% decline in July. In its October 2025 update, the IMF raised its UK growth forecast by +10bps to +1.3% in 2025, while trimming its 2026 projection to the same rate. This leaves the UK on track to be the second-fastest-growing G7 economy next year, behind the US, and the third-fastest in 2026, after the US and Canada.

Looking ahead, the Autumn Budget will be closely watched for its fiscal stance, with the balance between supporting demand and returning to restraint likely to be a key determinant of growth momentum into next year.

BUSINESS ACTIVITY PICKS UP

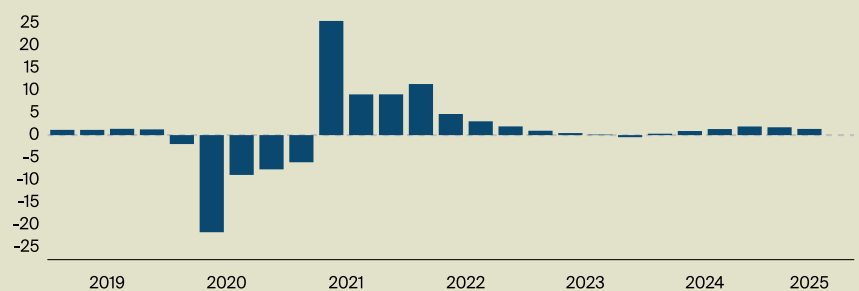
The services PMI edged up to 52.3 in October from 50.8, extending six months of expansion. Meanwhile, the manufacturing PMI moved up to 49.7 from 46.2, remaining in contraction but showing a slower rate of decline.

SOFTER INFLATION FUELS BoE RATE-CUT MOMENTUM

UK inflation held at 3.8% in September, coming in below the Bank of England's 4% projection and reinforcing signs that price pressures have likely peaked following earlier increases in food costs and employer national insurance contributions. The softer reading has shifted market expectations, with markets now pricing in over a 70% chance of a December rate cut, compared to no further easing anticipated previously. Oxford Economics expects inflation to continue easing through late 2025 and move closer to the BoE's 2% target into 2026.

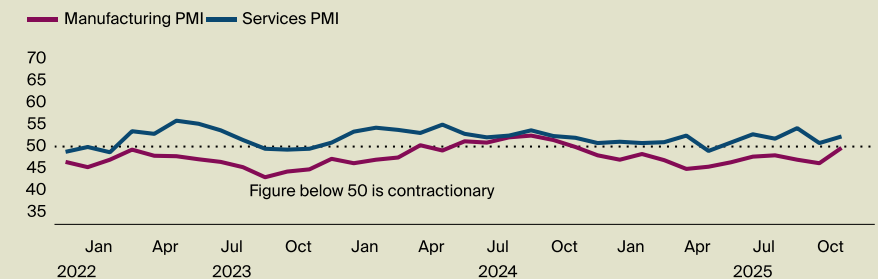
Gross Domestic Product

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



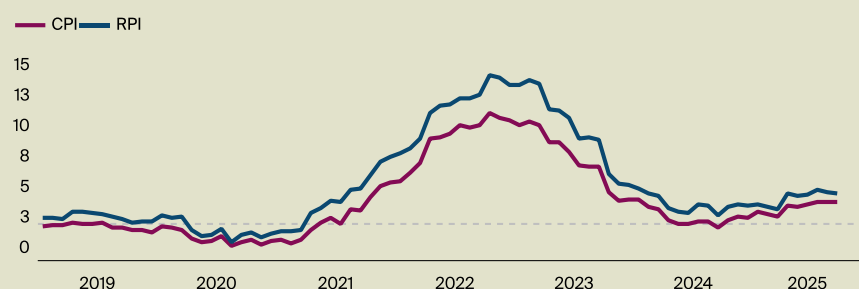
Source: Knight Frank Insight, Macrobond, ONS

Business Activity Index



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

Inflation



Source: Knight Frank Insight, Macrobond, ONS

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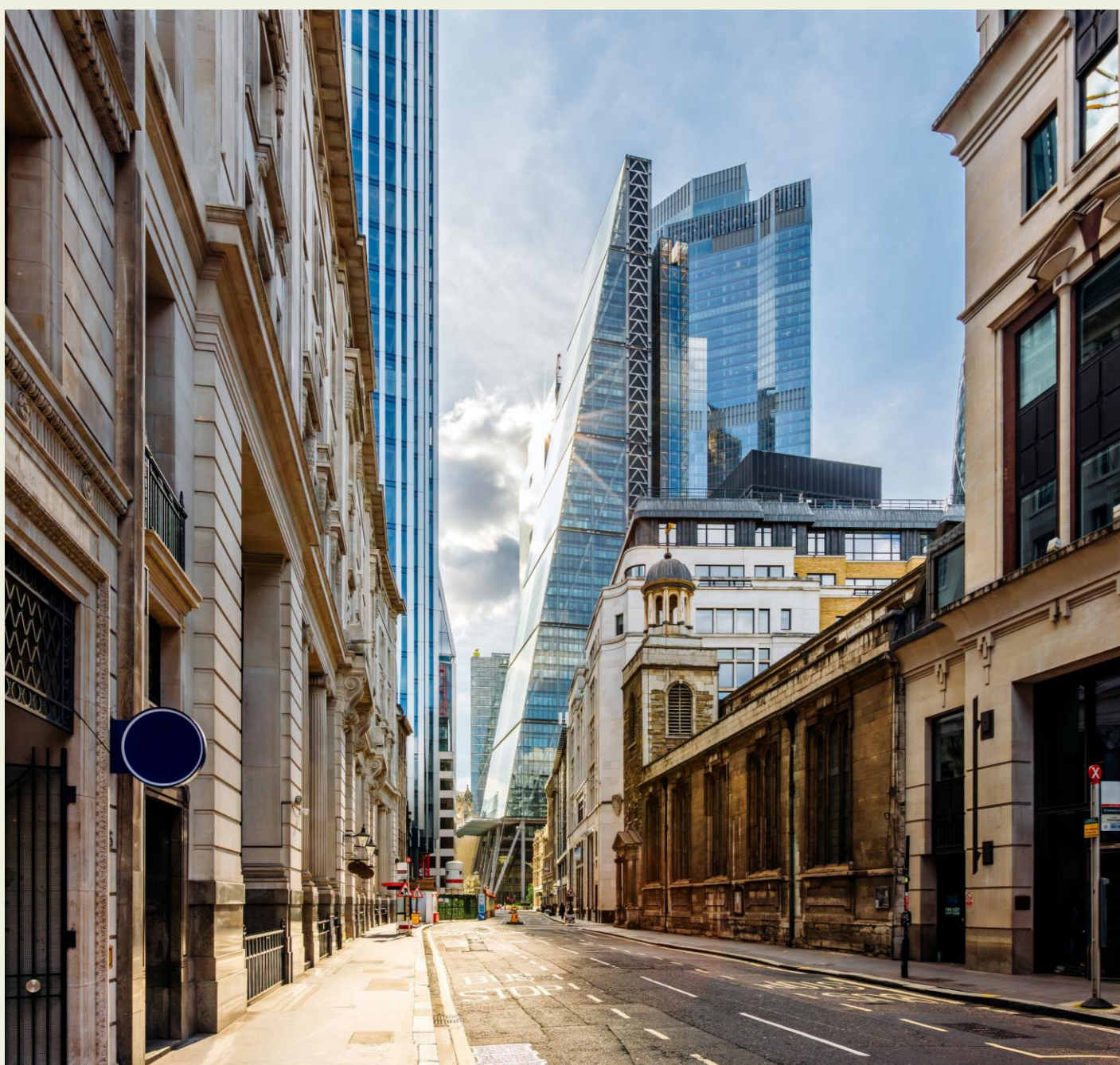
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Capital markets

UK commercial real estate

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Capital markets

US investment in UK CRE accelerated in Q3, with capital deployment rising +19% versus Q2

Q3 2025: RECOVERY GATHERS PACE

Q3 marked a notably stronger period for the UK CRE market, with improving fundamentals and renewed capital activity driving a more optimistic outlook. The UK retained its position as the second most invested market globally, behind only the US, and the top location for cross-border capital. UK CRE investment totalled £10.4bn this quarter. This was -9% down on investment in Q2, albeit a +6% increase on Q3 2024. Logistics (£2.9bn) was the most invested sector, followed by the Living Sectors (£2.6bn), Retail (£1.6bn), Offices (£1.4bn), Data Centres (£1.0bn) and Hotels (£0.9bn). Data Centres (+516%), Living (+49%), and Logistics (+13%) all recorded an increase in investment year-on-year in Q3.

Cross-border investment into UK CRE rose, totalling £5.9bn, a +16% increase from Q2, and accounting for a significant 57% share of total UK CRE volumes.

GLOBAL CAPITAL STEPS BACK IN

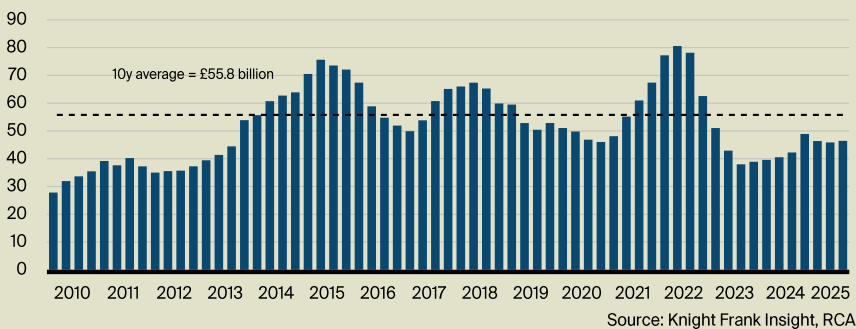
As transaction activity has picked up, cross-border capital has continued to play a central role in driving growth in the UK CRE market. Overseas investment into the core sectors (Office, Retail, Industrial) was up +38% in Q1–Q3 2025 compared with the same period last year, led by particularly strong momentum in Retail (+58%), followed by Offices (+38%) and Logistics (+27%).

The UK remains the leading global destination for cross-border capital in 2025 YTD, with London retaining its position as the top metro. Notably, the Southeast has entered the global top 10 for the first time, reflecting a broader spread of investment beyond London. Interestingly, US capital deployment into the UK increased +19% in Q3 2025 versus Q2, while appetite from other international sources also strengthened, including Singapore (+303%), Germany (+3,573%), and Spain (+184%).

UK quarterly investment volumes

Quarterly investment volumes, rolling average

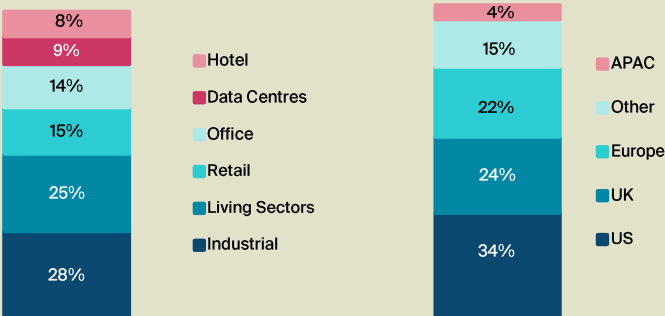
--- 10y Long Term Average ■ Investment Volumes (Rolling Annual, £bn)



Source: Knight Frank Insight, RCA

Investment volume breakdown

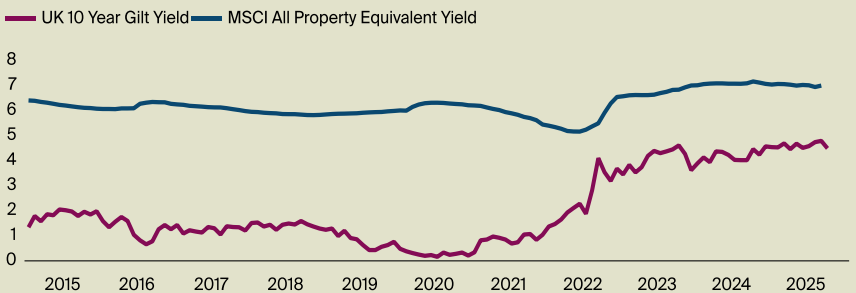
% of Q3 2025 volume



Source: Knight Frank Insight, RCA

Property equivalent yield and UK 10 year gilt yield

%



Source: Knight Frank Insight, Macrobond, MSCI

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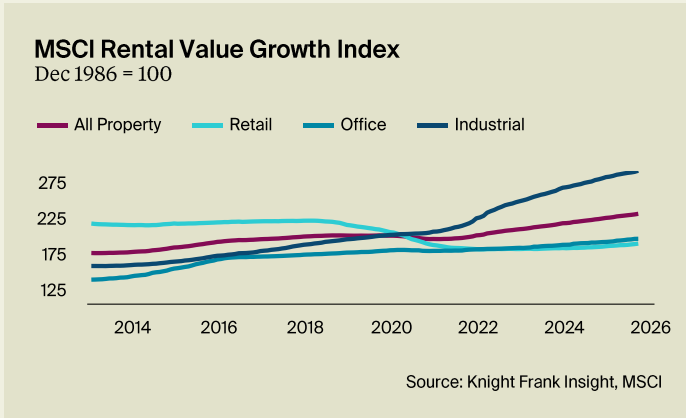
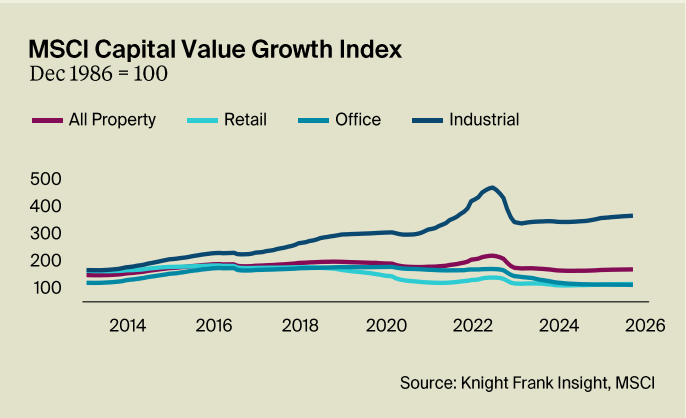
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Capital markets

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



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Offices

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

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City & Southbank offices

Investment activity falters

INVESTMENT LEVEL FALLS

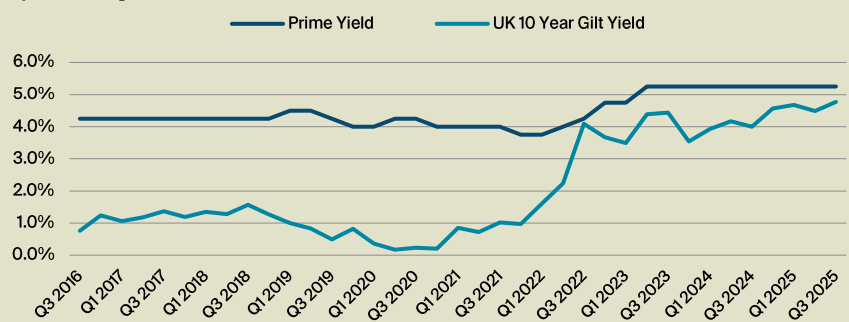
Following two quarters of strengthening investment activity, Q3 saw transactional volumes drop significantly to £0.4bn in Q3. This decrease represents a 64.2% quarterly decline and places Q3 volumes at 76.8% below the long-term average for the City and Southbank.

There was no investment activity for lot sizes of £100m or more, with the largest transaction being the sale of 110 Cannon Street & Martin House, 6 Martin Lane, EC4 for £72.0m, reflecting a net initial yield of 6.79%. 69.2% of Q3 turnover targeted assets under £50m.

Domestic investors were the most active, representing 36.3% of Q3 investment volumes, with European and North American investors each accounting for an additional 21.4% of Q3 activity.

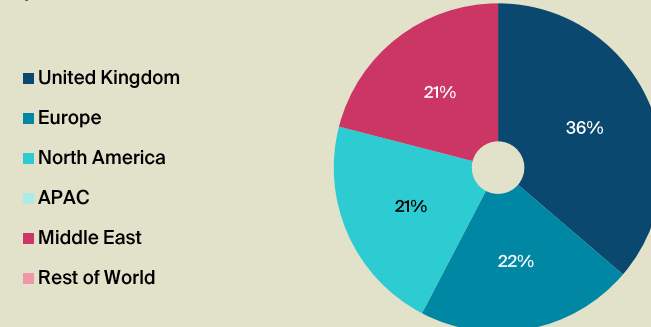
There was an 80.7% increase in the value of assets under offer in Q3, jumping to just under £1.8bn, which is 29.2% ahead of the long-term average. This suggests the immediate outlook is more positive, although it remains to be seen if all of these transactions will complete. Prime yields have remained stable at 5.25%, and the safe haven qualities of London continue to attract investor interest, despite the economic and geopolitical headwinds.

City & Southbank: Prime yield and UK 10 year gilt yield
Q3 2025, % per annum



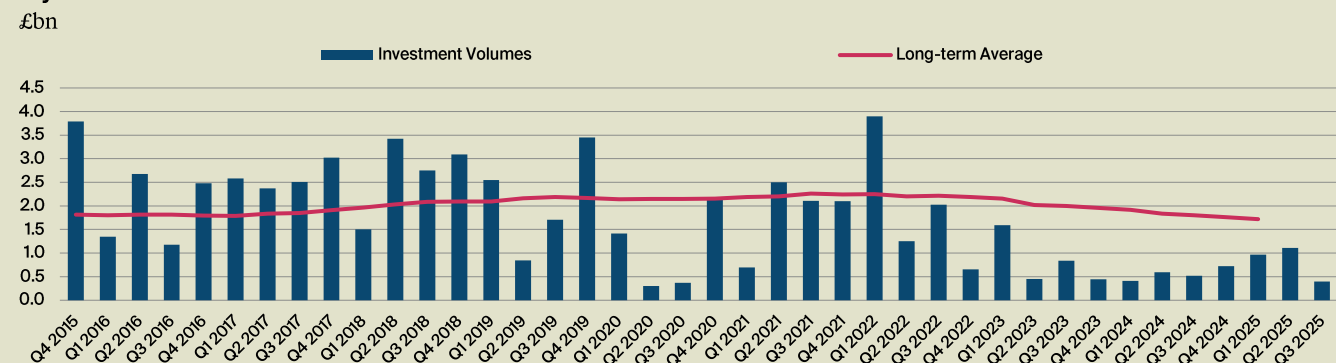
Source: Knight Frank Insight

City & Southbank: Investment volumes by nationality
Q3 2025, % of total investment



Source: Knight Frank Insight

City & Southbank: Investment volumes relative to trend



Source: Knight Frank Insight

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City & Southbank offices

Lack of larger deals slows momentum

LEASING ACTIVITY IN Q3: GOOD BUT NOT GREAT

After a very strong Q2, take-up across the City & Southbank market fell to just under 1.6m sq ft in Q3, a 25.0% decrease over the quarter and 1.1% above the long-term average. As was the case across the London market, the number of leasing transactions actually increased despite the drop in volume, with 208 deals signed in Q3 compared to 185 in the previous quarter. Take-up of new or refurbished space accounted for 49.3% of letting activity in Q3, a significant decline from the previous quarter. This shift was driven by a relative lack of large transactions compared to the previous quarter, and particularly pre-let transactions. As a result, just over half of take-up was focused on second-hand space. Over a 12-month period, however, 66.5% of transactions have been for new or refurbished space.

The largest transaction signed in Q3 was InfinitSpace's 101,778 sq ft acquisition of Fox Court, 14 Grays Inn Road, WC1, which becomes the flexible workspace provider's fourth site in London and will operate under their 'beyond workspace' brand. The next largest deal signed in Q3 was Bristow's 68,447 sq ft pre-let at Bow Bells House, EC4, which will reach practical completion in early 2026. The third largest transaction from this quarter was BMS Group's 64,280 sq ft acquisition of the 22nd-25th floors at the Gherkin, 30 St Mary Axe, EC3.

SUPPLY NUDGES UP

Overall availability in the City & Southbank market has increased by 7.1% during Q3 to stand at 13.54m sq ft; now

8.9% above the level a year ago and 37.0% ahead of the long-term average, resulting in the vacancy rate moving upwards from 8.8% to 9.4%. The vacancy rate of new and refurbished space rose marginally to 5.5%. In the City, the overall vacancy rate rose from 8.1% to 8.8%, with increases in the availability of new, refurbished and second-hand space. The vacancy rate for new space increased to 1.0% and the new and refurbished vacancy rate increased to 4.7%. In the Southbank, the overall vacancy rate decreased marginally from 12.6% to 12.3%, which was 6.8 percentage points above the long-term average, driven by a 10.7% reduction in the availability of second-hand space.

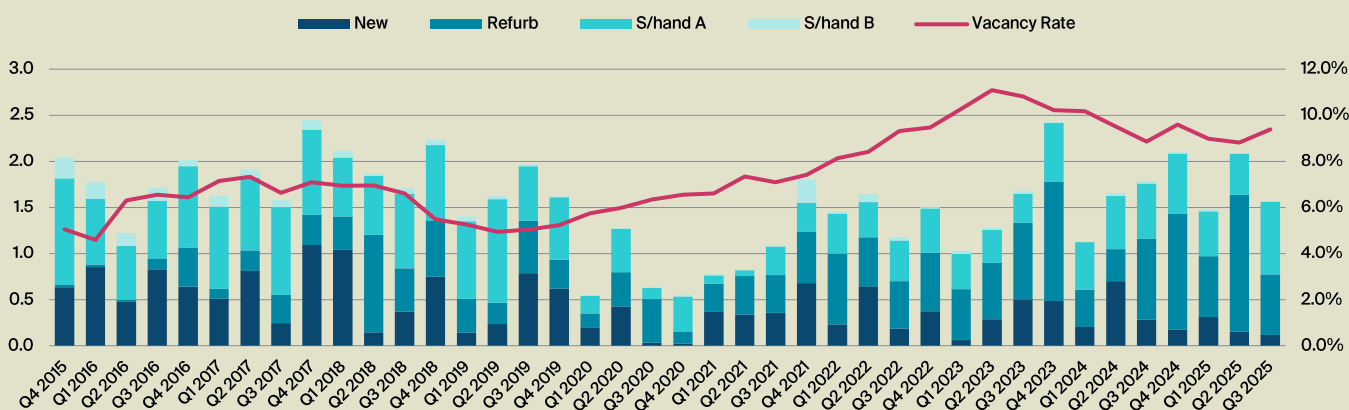
Completions in Q3 totalled nearly 0.95m sq ft, although 64.1% of this was already pre-let. The under-construction pipeline fell by 1.2% to 8.52m sq ft across the City & Southbank market. Of this, 1.8m sq ft is already pre-let.

PRIME RENTS REMAIN STABLE

Prime rents in the City & Southbank market were stable for the second consecutive quarter. There is a healthy pipeline of space under offer, totalling 2.0m sq ft, of which 31.7% will likely transact at or above prime levels. City Core rents remain at £100 per sq ft, an 11.1% annual increase. Southbank Core prime rents remained stable at £90.00 per sq ft, reflecting a 9.1% increase over the last 12 months. Our prime rent forecasts are unchanged from Q2. Between 2025 and 2029, annual average growth in the City Core is projected at 5.8%, with 3.5% annual average growth anticipated in the Southbank.

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

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



Source: Knight Frank Insight

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West End offices

Investment volumes increase by nearly a third

VALUE-ADD DRIVES VOLUMES

Investment in the West End rallied in the third quarter. Turnover rose 32.1% to £1.17bn, which is only fractionally below the long-term average of £1.22bn (-4.5%).

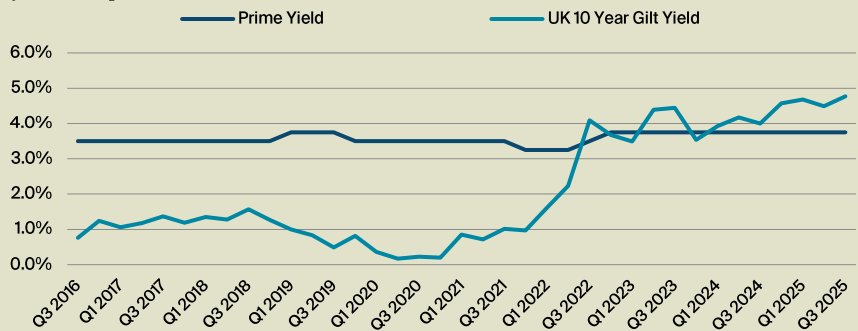
The largest transaction of the quarter was The Arora Group's acquisition of 102 Petty France, SW1, for £245m - reflecting a net initial yield of 7.52% and capital value of £700 per sq ft. 51.9% of all assets that transacted in Q3 are classified as value-add, followed by core plus which accounted for a further 35.1% of Q3 turnover.

Private capital was the most active investor group during Q3. Private investors (30.4%) and private property companies (28.9%) accounted for a combined 59.3% of all investment volumes. Investors from the UK were the most active during Q3, comprising 48.8% of all transactions, with North American investors following closely with 41.2%.

The value of assets available at the end of Q3 rose by 11.7% to £2.5bn, with 58.8% of this stock being either core or core plus assets. A sign of positivity for the end of 2025 is the £1.2bn of assets under offer, a 16.9% increase on the previous quarter. This positive outlook is further supported by continued stability in prime yields, which have remained at 3.75% for the eleventh consecutive quarter.

West End: Prime yield and UK 10 year gilt yield

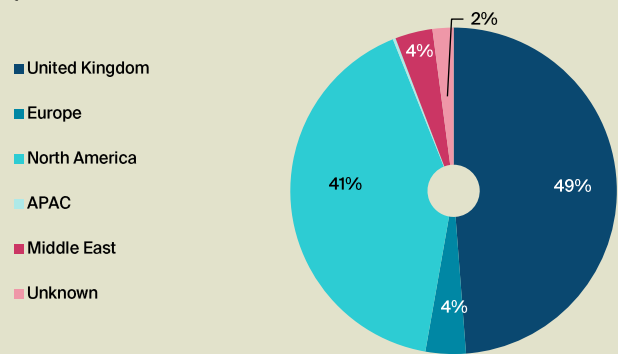
Q3 2025, % per annum



Source: Knight Frank Insight

West End: Investment volumes by nationality

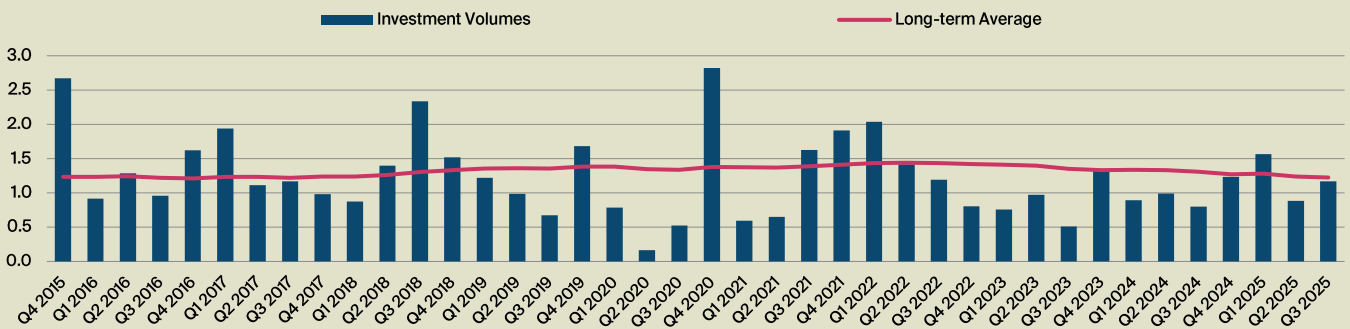
Q3 2025, % of total investment



Source: Knight Frank Insight

West End: Investment volumes relative to trend

£bn



Source: Knight Frank Insight

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West End offices

Take-up dips after a robust H1

TAKE-UP FALLS IN Q3

Q3 take-up in the West End reached 0.84m sq ft, a 21.6% decrease on the previous quarter and 19.9% below the long-term quarterly average. There was a lack of large transactions in Q3, with none of the transactions signed during the quarter exceeding 60,000 sq ft. The average deal size has decreased to 5,730 sq ft. As is typical for the West End market, the majority of letting activity was focused on smaller units, with the sub-5,000 sq ft size band accounting for 25.8% of take-up, or 67.3% of the number of deals. Take-up of new and refurbished space reached 509,391 sq ft, representing 60.5% of total take-up in Q3. Whilst this represents a decrease in the proportion seen in the previous quarter, it remains clear that occupier preference for best-in-class space remains, with 71.0% of take-up in the last 12 months targeting new or refurbished space.

DEALS OUTSIDE THE CORE DRIVE TAKE-UP

The largest transaction signed in Q3 was General Atlantic's pre-let of the Elephant, 318 Oxford Street, W1 (52,173 sq ft), a building that will complete construction by the end of 2026. Other large transactions during the quarter included UCL's pre-let at Maple House, W1 (39,084 sq ft), Sarasin & Partners LLP letting at 50 George Street, W1 (33,515 sq ft), and the Seven Stars acquisition at The Acre, WC2 (32,551 sq ft). This selection of transactions shows that submarkets outside, but close to, the West End Core have performed well in Q3.

OUTLOOK SHOWS STEADY END TO 2025

At the end of Q3, there was 905,091 sq ft under offer in the West End, effectively in line with Q2. A third of floor space under offer is within the West End Core, across 22 buildings. Active demand remained stable at 1.92m sq ft, with the financial sector representing the largest share (32.3%). Active demand remains 7.6% below the long-term trend. These indicators suggest that take-up in the short to medium term may continue to fall just short of trend.

AVAILABILITY TIGHTENS IN LINE WITH FUTURE SUPPLY

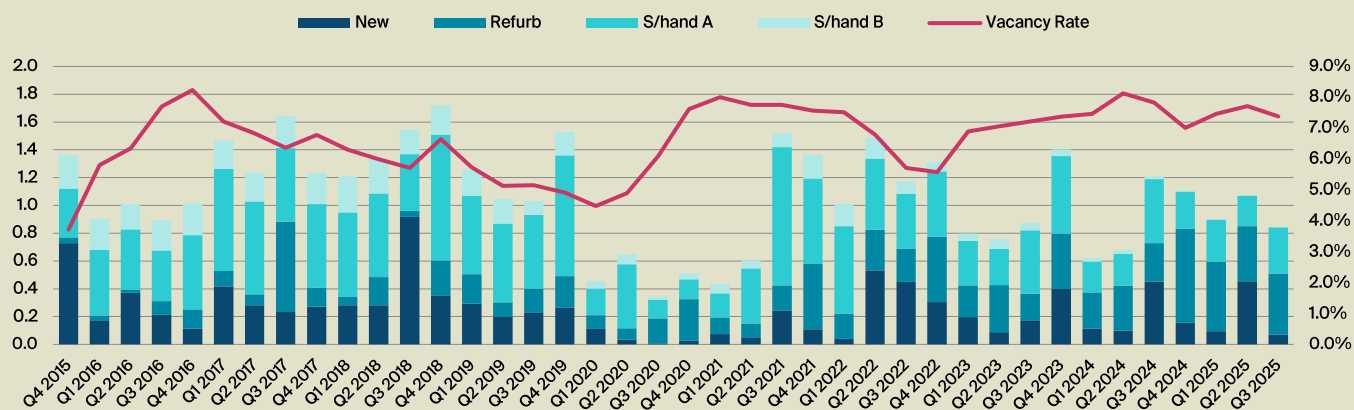
Availability decreased by 4.2% to 7.4m sq ft, 17.7% ahead of the long-term average. This resulted in the vacancy rate dropping from 7.7% to 7.4%, with the vacancy rate of new and refurbished space decreasing from 5.7% to 5.4%. Future supply remains limited, although the development pipeline grew marginally in Q3. The total volume of space under construction at the end of Q3 was 6.6m sq ft, of which 2.3m sq ft (34.9%) is already pre-let. There is a projected undersupply of nearly 0.6m sq ft by the end of 2029.

PRIME RENTS HOLD FIRM

Prime rents in the West End Core have held steady at £182.50 per sq ft, the level they increased to in the previous quarter. Of the space under offer at the end of Q3, 33.6% is likely to transact at or above a prime level for the relevant submarket.

West End: Take-up by quality and vacancy rate

M sq ft, % of stock (RHS)



Source: Knight Frank Insight

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Docklands & Stratford offices

Second consecutive quarter of above-trend take-up

HSBC DEAL BOOSTS LEASING ACTIVITY

Fifteen leasing transactions signed during Q3, totalling 302,027 sq ft. This is a 18.4% decrease on the previous quarter, however quarterly leasing volumes remain 60.9% above the long-term quarterly average, with an average transaction size of 20,135 sq ft.

HSBC's 170,894 sq ft acquisition at 40 Bank Street, E14, was the largest signed during the quarter, which significantly impacted proportion of new and refurbished take-up, which accounted for 99.3% of Q3 activity. This means that over the last 12 months, 64.2% of take-up has been concentrated on new and refurbished space, indicating a shift away from the focus on second-hand stock in recent years. The next largest deal was UCL's 51,240 sq ft acquisition at 1 Canada Square, E14, who have committed to a 15-year lease on the 46th and 47th floors, with initial rents of £60-70.00 per sq ft. This is a further example of educational occupiers acquiring office space in the Docklands & Stratford market.

Whilst HSBC's transaction accounted for 56.6% of total take-up in Q3, smaller transactions were more common. Sub-5,000 sq ft deals accounted for 10 of the 15 signed during the quarter, although they represented just 8.7% of total take-up by volume.

Active demand for requirements targeting the Docklands & Stratford market increased by 88.7% to 0.52m sq ft, which is broadly in-line with the long-term average.

AVAILABILITY SEES MARGINAL INCREASE

Overall availability across the Docklands and Stratford market rose by 2.2% during Q3 to 3.28m sq ft, which translates to a vacancy rate of 12.8%. This means that availability has fallen by 13.2% year-on-year but remains 21.0% ahead of the long-term average.

At the end of the quarter, 56.7% of available space was new or refurbished, equating to just under 1.86m sq ft, which has remained stable over the quarter. Second-hand space increased by 4.5% to 1.42m sq ft. 55.5% of available space is for units of 100,000 sq ft or more.

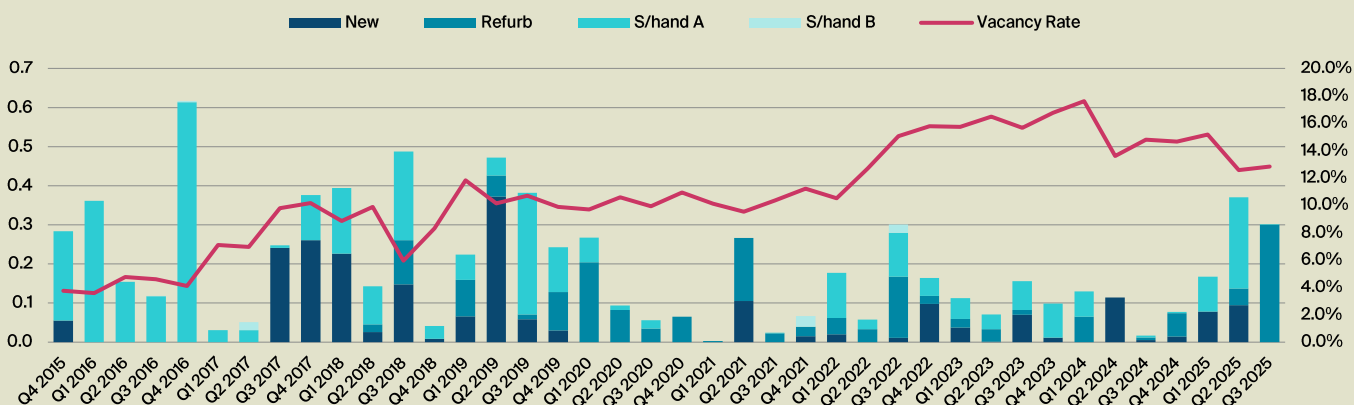
In Canary Wharf, the vacancy increased from 11.2% to 11.4% and is now just 0.7 percentage points above the long-term trend.

At the end of Q3 there was 718,338 sq ft of space under construction in the Docklands & Stratford market, across 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 are £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, % of stock (RHS)



Source: Knight Frank Insight

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South East offices

Investment volumes continue to show modest improvement, with activity now underpinned by an increasing pipeline of assets being marketed

INVESTMENT SHOWS IMPROVEMENT

Investment activity across the South East and Greater London strengthened in Q3, with £291 million of assets traded, marking the highest quarterly total recorded in 2025 so far.

A key transaction during the period was Iroko Zen’s £58 million acquisition of One Lyric Square in Hammersmith, the first deal of the year exceeding £50 million and a clear indication of improving investor appetite for well-priced, high-quality assets.

LIQUIDITY ON THE INCREASE

At the close of the quarter, a further £252m in investment deals were reported to be under offer, alongside an additional £1bn worth of assets actively being marketed. This expanding pipeline signals growing confidence among both buyers and sellers. Although overall transaction volumes remain below the long-term average, recent data points to increased market participation, supported by more realistic pricing expectations and an improving appetite to transact as yields begin to stabilise.

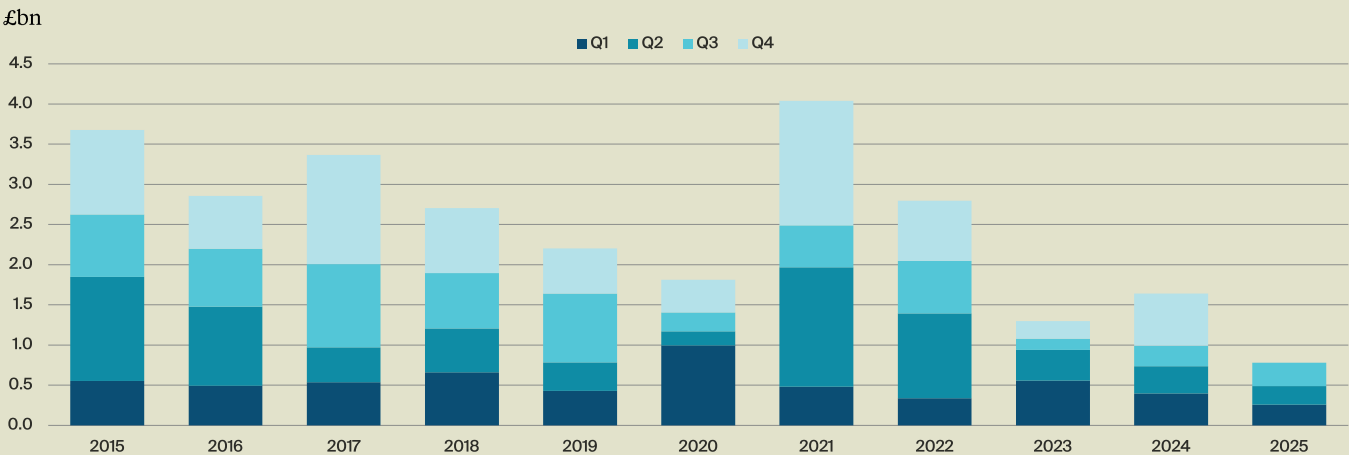
Investor sentiment is also firming, particularly among private equity funds and UK property companies, which continue to focus on core-plus and value-add opportunities. This renewed activity highlights a cautiously optimistic outlook, suggesting that liquidity is on a path to recovery.

MIND THE GAP

Prime office yields in the South East remained at 7.00% in Q3, reflecting a notable spread relative to London benchmarks. The disparity is particularly evident when compared with yields of 5.25% in the City and 3.75% in the West End, highlighting attractive opportunities for investors seeking value outside the capital.

With limited new supply, sustained rental growth, and an improving availability of ‘sale-ready’ stock, expectations are building that a broader buyer pool and increased competition will begin to place pressure on pricing moving forward.

South East: Investment volumes



Source: Knight Frank Insight

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South East offices

Leasing activity continues at pace, underpinned by larger requirements and sustained demand for best-quality space

LEASING LEVELS – HIGHEST SINCE BEFORE THE COVID-19 PANDEMIC

In the third quarter of 2025, a total of 806,000 sq ft of leasing transactions were completed across the South East and Greater London office markets, representing a 4.2% increase compared with the previous quarter. Each quarter of 2025 to date has recorded take-up above 800,000 sq ft, marking the first time since 2019 that activity in the first three quarters has consistently surpassed this level. As a result, year-to-date take-up has reached 2.7 million sq ft, reflecting a 15% increase on the same period in 2024 and standing 20% above the long-term average. Overall, leasing activity in 2025 so far represents the strongest performance recorded since before the COVID-19 pandemic.

READING LEADS LEASING ACTIVITY

Reading has proved the most active market in the South East and Greater London region, accounting for 19% of total office take-up in 2025. The Greater Reading area has recorded 499,562 sq ft of take-up so far this year, representing a 17.5% increase on Q1–Q3 2024 and 56.6% above the long-term average. This strong performance continues to be driven by sustained occupier demand for new, high-quality, and well-located developments.

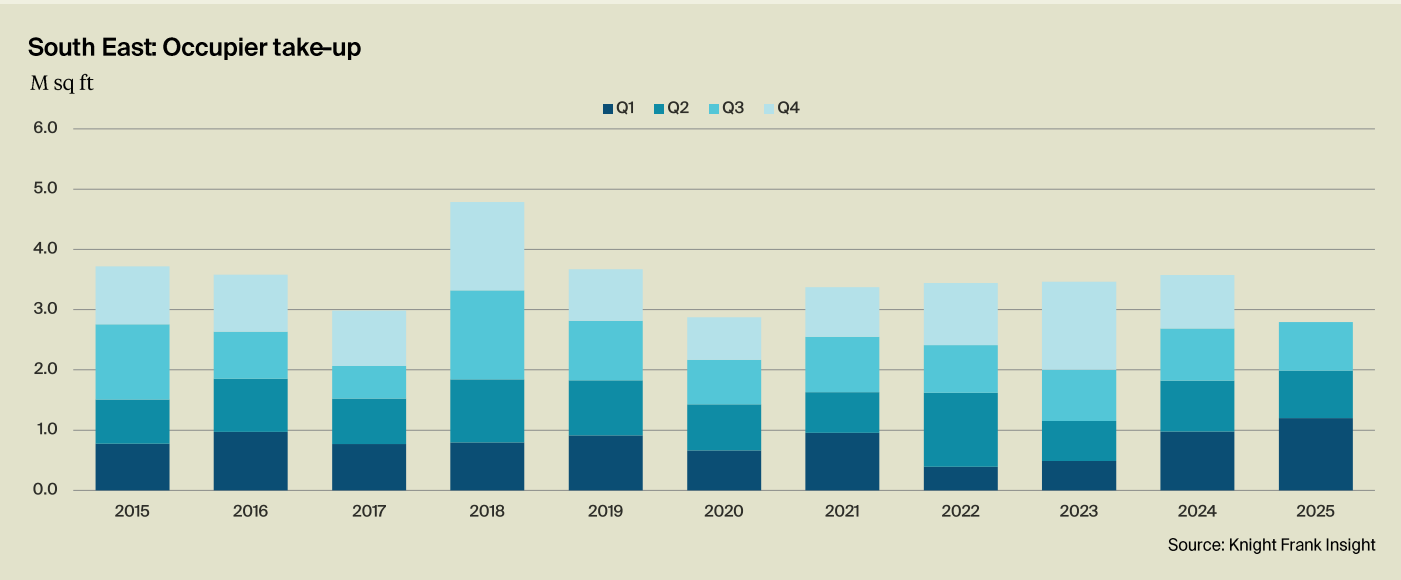
TMT UPTICK SUPPORTS STRONGER MARKET PERFORMANCE

Following two years of subdued performance, the

Technology, Media and Telecommunications (TMT) sector has re-emerged as a key driver of office demand in 2025. So far this year, occupiers from the sector have accounted for 634,000 sq ft of take-up across 68 transactions, or 24% of total market activity. This marks a significant improvement on 2024, when the sector contributed 372,000 sq ft across 34 deals. In the South East, GVA for the broader digital and communications-intensive industries is estimated to have grown by approximately 6% in 2025, with headcount in the region’s TMT sector forecast to rise by a further 6% over the next three years, underlining its increasing importance to occupier demand in the office market.

DEVELOPMENT IS NOT KEEPING PACE WITH DEMAND

Development activity continues to be limited, with just 1.6m sq ft of speculative office space under construction at quarter end. A significant portion, around 60%, of this pipeline is located in West London and Cambridge, meaning supply levels across other major markets in the South East are tightening. This limited supply stands in marked contrast to the 3.8m sq ft of active occupier requirements across the region. The Grade A vacancy rate remains below 6%, demonstrating that demand continues to exceed the availability of high-quality space.



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UK Cities offices

The investment market is showing signs of improvement, with benchmark deals in the pipeline, rising stock availability, and increasing buyer-seller alignment

INVESTMENT MARKET IMPROVING?

Investment activity showed moderate improvement in Q3, with total volumes reaching £252m across 16 deals. While this represents an uptick in deal flow compared with earlier in the year, overall momentum remains subdued, reflecting continued caution among investors and limited availability of appropriately priced stock.

Year-to-date investment volumes stand at £625m (Q1-Q3), around 17% lower than the same period in 2024 and 40% below the 5-year average.

ACTIVE FINAL QUARTER OF 2025?

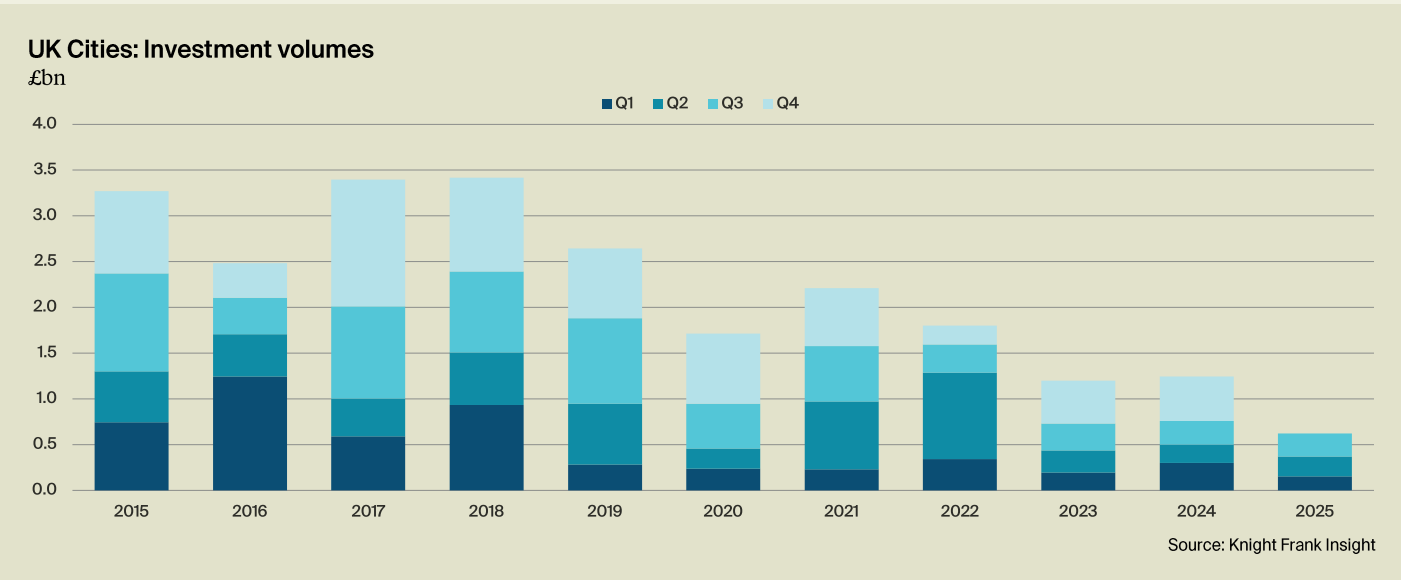
As of the end of Q3, approximately £569m of office assets were under offer, with a further £1.3bn being actively marketed for sale. This level of activity reflects a healthy degree of market engagement and a gradual return of confidence among both buyers and sellers. Although the time taken to progress transactions from offer to completion remains extended, this highlights the cautious stance investors are maintaining amid ongoing economic headwinds and financing challenges.

SIGNIFICANT SALES BOLSTER VOLUMES

Activity in the higher-value segment of the market picked up modestly, with two transactions exceeding £50m completed during the quarter. These included the sale of Mitchells & Butlers' HQ building in Birmingham to Blue Owl Real Estate for £55m, and BauMont Real Estate Capital's acquisition of Quartermile One in Edinburgh for a price exceeding £50m, alongside operating partner KZN Real Estate.

PRICING STABILISED

Regional prime office yields remained stable between 6.50% and 10%, representing a 200-basis-point outward shift compared with pre-pandemic levels. Yields now appear to have reached a point of relative equilibrium, albeit inward shift seems unlikely in the near term given the combination of elevated debt costs and selective investor appetite.



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UK Cities offices

Regional office leasing remains above the long-term trend, underpinned by professional services and TMT demand and intensifying competition for prime space

LEASING IMPROVES IN Q3

Take-up reached 1.22m sq ft in Q3, representing a 19% increase on Q2, although still 6% below the five-year quarterly average. A total of 289 deals were completed during the quarter, the highest quarterly total of the year, supported by strong activity in smaller lot sizes.

Year-to-date, 3.7m sq ft has been leased, marginally above the five-year average for the same period. Smaller lettings have dominated, with 78% of all deals involving requirements of 5,000 sq ft or less. The average deal size in 2025 stands at 4,800 sq ft, 13% lower than in 2024, as occupiers remain focused on efficiency and flexibility within office portfolios.

PROFESSIONAL SERVICES AND TECH SECTORS UNDERPIN DEMAND

In terms of active sectors, the professional services have taken the most space in 2025, accounting for 22% of total take-up. Considered in deal numbers however, occupiers derived from the TMT sector has been the most active, representing 20% of all transactions. Both sectors continue to underpin demand across the regional markets, with a preference for well-located, high-quality accommodation.

OCCUPIER LENS SHARPENS BUT SUPPLY TO TIGHTEN

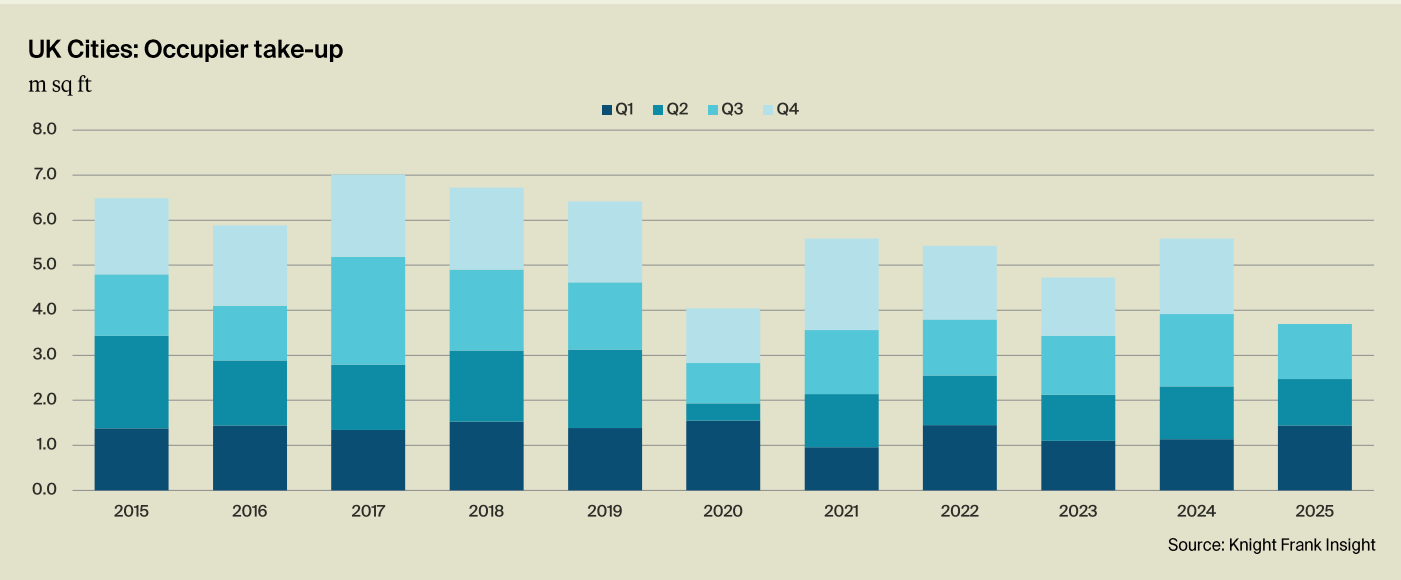
Reflecting the ongoing flight to quality, around 73% of requirements over 20,000 sq ft have been satisfied within New or Grade A space.

New and Grade A availability increased to just over 4m sq ft in Q3, a 13% rise year-on-year. However, much of this comprises second-hand Grade A stock, with genuinely new or recently refurbished space remaining scarce.

At the end of Q3, only 1.4m sq ft of speculative development was underway, with delivery expected over the next three years. The restricted development pipeline is likely to maintain supply constraints in the best-quality segment of the market.

RENT RISING AT PACE

Rents continued to rise, with the regional average prime rent across the main cities exceeding £40 per sq ft in Q3. The highest prime rent is now recorded in Bristol at £50 per sq ft, and seven of the ten major markets reported an increase over the past 12 months, reflecting sustained occupier competition for the best space amid limited new supply.



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Industrial & distribution

Investment and occupational markets

CONTACT: [CLAIRE WILLIAMS](#) & [DEIRDRE O'REILLY](#)

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Industrial & distribution

Portfolio momentum builds, REIT demand rises, and yield spreads narrow

PORTFOLIOS DRIVE MOMENTUM DESPITE CAUTION

The UK industrial investment market recorded £1.9bn of transactions in Q3 2025, broadly in line with the previous quarter but 20% lower than Q3 2024 volumes, reflecting ongoing caution in the market. YTD volumes now stand at £5.7bn, a marginal 2% decline compared with the same period last year. Portfolio transactions continued to dominate, accounting for 39% of Q3 activity and 38% of YTD investment, a notable increase from the 21% share recorded over the same period in 2024. While sentiment remains cautious and volatility has limited transaction flow, buyer appetite is underpinned by improving stock availability and a growing number of large-scale portfolios coming to market. Looking ahead, the Budget is expected to provide clarity and stability, reinforcing positive sentiment and supporting an anticipated uplift from investment activity as the year closes.

RISING REIT ACTIVITY RESHAPES INVESTOR LANDSCAPE

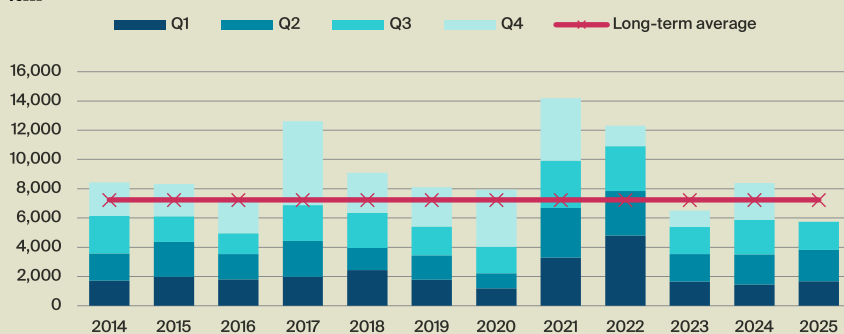
Investment so far this year reflects a notable shift in the buyer landscape. Listed Property Companies and REITs - buoyed by portfolio transactions - now account for 25% of YTD investment, up sharply from 12% last year and 5/6% in 2023/22. Cross-border investors continue to represent the largest buyer segment, at 50%, although their share has moderated compared with the previous five-year average.

YIELD GAP TIGHTENS TO A TWO-YEAR LOW

The spread between the 10-year gilt and prime distribution/warehousing yields tightened to 48bps in September, the narrowest differential since September 2022. The current level remains significantly below the 10-year average spread of 257bps.

Investment volumes

£m

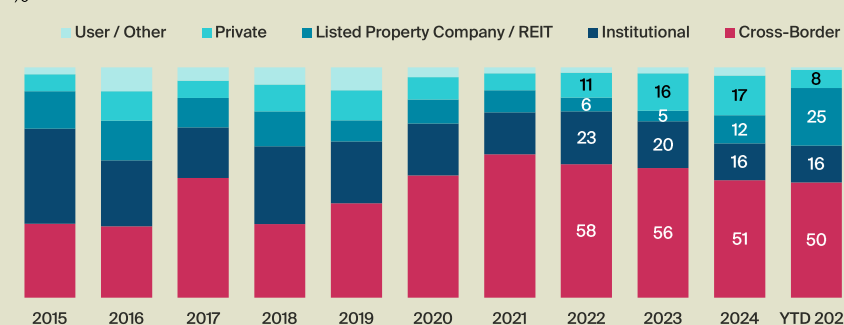


*Data reporting change from 2020 onwards

Source: Knight Frank Insight, RCA

Capital composition

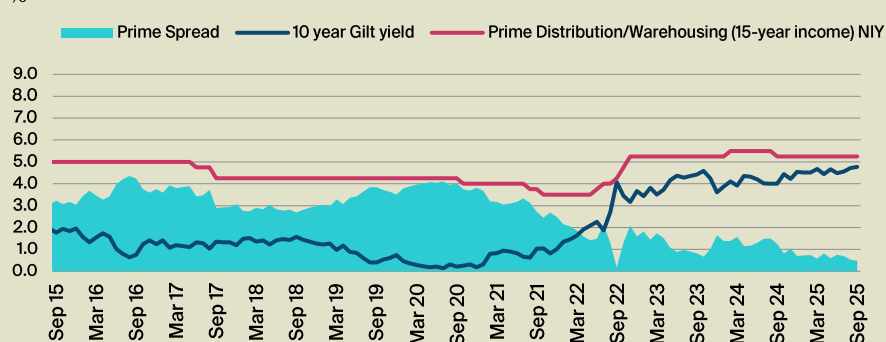
%



Source: Knight Frank Insight, RCA

Industrial yields

%



Source: Knight Frank Insight, Macrobond

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Industrial & distribution

Demand strengthens, vacancy climbs, and rental growth softens

TAKE-UP AHEAD OF 2024, DRIVEN BY MIDLANDS AND SOUTH WEST

Take-up in the UK industrial and logistics market totalled 11m sq ft in Q3 2025 (units over 50,000 sq ft), bringing YTD volumes to 32m sq ft, up 15% on the same period in 2024. Regional performance was led by the Midlands and South West, while London & the South East saw strong Q3 activity, boosted by Tesco's 808,000 sq ft distribution centre at DP World London Gateway within the Thames Freeport Zone. Chinese firms have emerged as a major demand source, securing over 2m sq ft so far this year, more than double their 2024 total.

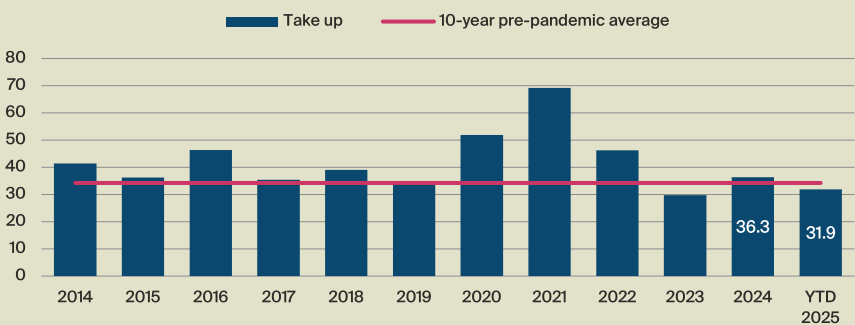
DEVELOPMENT PIPELINE HITS NEW LOW

Despite strong take-up, the UK vacancy rate edged higher to 7.8% in Q3, up from 7.7% in Q2 but still 50bps below the 10-year pre-pandemic average. While overall availability rose, four of nine regions recorded declines; South Yorkshire posted the highest vacancy at 13.5%, up 270bps quarter-on-quarter. The speculative pipeline hit a new low, with space under construction down 14% in Q3 and 46% year on year. Supply remains concentrated in smaller units, with those under 250,000 sq ft comprising 88% of the number of units available.

CONTINUED RENTAL GROWTH DESPITE EASING MOMENTUM

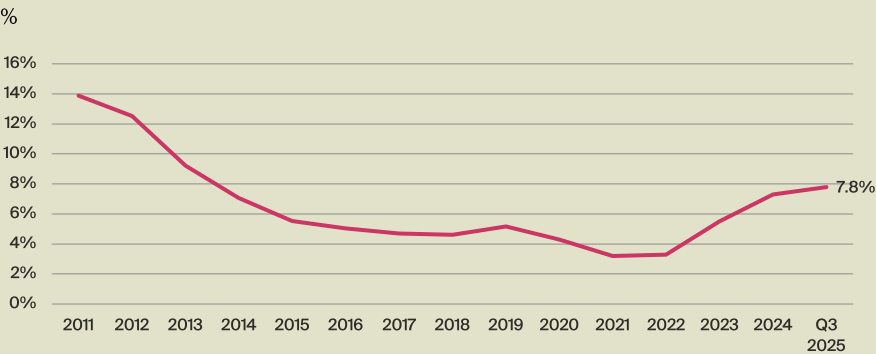
Rents continued to rise in Q3, though growth slowed. Annual growth to September stands at 4.6%, easing from 5.1% in June and down from 6.2% in September 2024 (MSCI). Rental growth is expected to persist through 2025 and into 2026, with a 4.2% forecast for 2025 (up from 4.0% last quarter). Growth is projected to slow to 3.1% in 2026 before reaccelerating in 2027–2029. The Eastern region leads both 2025 growth (4.9%) and five-year growth projections (CAGR) for 2025–2029 (4.3%).

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



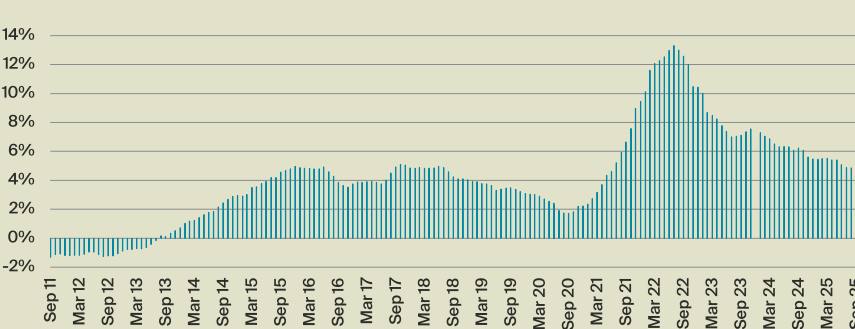
Source: Knight Frank Insight

Vacancy rate (units over 50,000 sq ft)



Source: Knight Frank Insight

Average annual market rental growth
% change annually



Source: Knight Frank Insight, MSCI

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Retail & leisure

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

CONTACT: [STEPHEN SPRINGHAM](#)



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Retail

The spectre of the Autumn Budget looms large – investors spooked, retail occupiers braced, consumers oblivious, or just indifferent?

LULL BEFORE THE STORM?

Although all-pervading in the narrative, there was limited evidence in Q3 of the forthcoming Autumn Budget having any discernible impact on consumer behaviour. Footfall was as erratic as ever (Jul: -0.4%, Aug: -0.4%, Sep: -1.8%) but underlying consumer confidence held firm (at -19), even ticking up marginally in October. More crucially, retail spend is more than holding up. In Q3, year-on-year retail sales values (exc fuel) grew by +3.2%, while volumes (exc fuel) were ahead by +1.5%. Strong in their own right, the Q3 figures also marked considerable acceleration on the first half of the year (Q1 vals. +1.4%, vols. +0.1%; Q2 vals. +2.1%, vols. +0.7%).

2024 AFTERSHOCKS WASH THROUGH

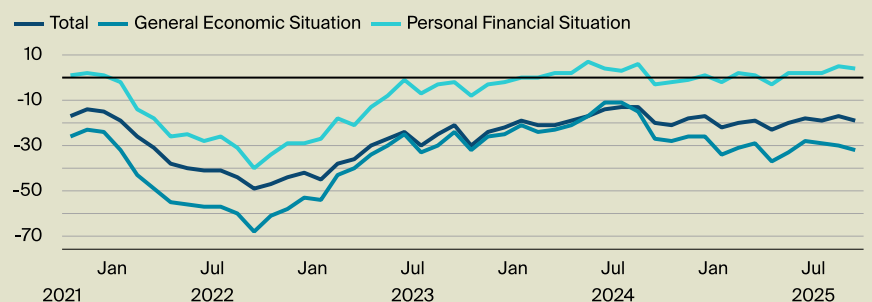
Whereas all indications are that the 2025 Autumn Budget will largely affect consumers through tax increases, last year's was distinctly 'corporate/occupier unfriendly' and retailers are still absorbing the full fallout from this. Despite this, occupier distress remains fairly limited, with Bodycare (147 stores) and Claire's (306 stores) the only two major high street casualties in Q3. Retail occupier markets are generally stable. In Q3, overall retail vacancy rates dipped below 15% for the first time since 2020. Retail rents also remain on a slow upward trajectory, increasing by +2.6% on an annualised basis to September.

INVESTMENT ACTIVITY SUBDUED

An ongoing mismatch between retail property performance and investment markets. Retail remains the best-performing real estate asset class, with a total return of +2.0% in Q3, or +9.2% on an annualised basis. But retail investment remains fairly muted - volumes totalled £1.17bn in Q3, a marginal (-4.1%) dip on Q2 (£1.22bn) and a -36% decline on the corresponding quarter in 2024 (£1.82bn). This took total YTD volumes in 2025 to £3.75bn, below the £4bn recorded at the same juncture last year.

Consumer confidence

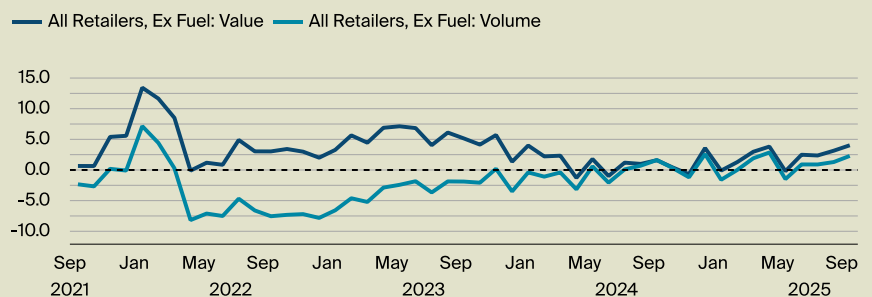
Confidence over the next 12 months



Source: GfK

ONS retail sales

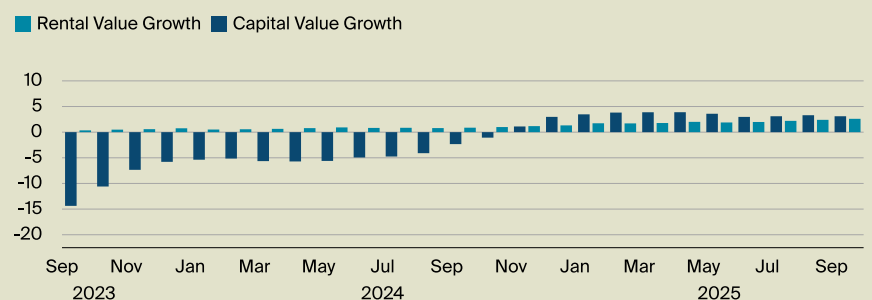
Monthly year-on-year change, %



Source: ONS

All retail – rental/capital value growth

Rolling 12 month % change



Source: MSCI

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High street retail

Maintaining course – with retailers outlining renewed commitment to the high street

FLUCTUATING FOOTFALL

High street footfall was extremely volatile across the quarter, in part reflective of weather patterns. Footfall was down -1.7% in July, but rebounded strongly by +1.1% in August, before slumping -2.5% in September. Fortunately, these fluctuations were not reflected in actual spend figures, which were far more consistent and showed a clearer direction of travel (Jul: +2.4%, Aug: +3.1%, Sep: +4.0%). Consumer demand remained strong for a number of core high street categories, including Clothing (Q3 sales year-on-year +7.8%), Jewellery & Watches (+5.1%) and Charity Shops (+15.4%), but others were more challenged e.g. Chemists (-1.4%) and Textiles (-30.2%).

LIMITED OCCUPIER FALL-OUT

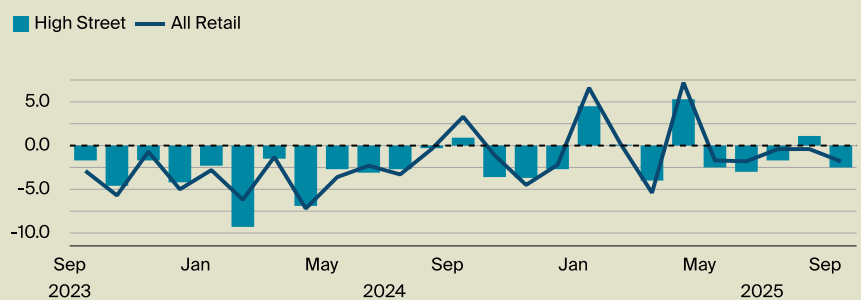
As ever, the media microscope disproportionately fell on retail occupier distress, with Bodycare and Claire's the two major high street casualties in Q3. Both entered administration, but have since been bought out and will live on, on a streamlined basis, under new ownership. Meanwhile, Amazon's decision to shutter its 20-strong Amazon Fresh chain again underlined its ongoing struggles to transition into a truly multi-channel retail operator. But against this backdrop, high street vacancy rates continued to improve, declining by 50bps year-on-year and -10bps quarter-on-quarter, to end Q3 at 13.5%.

UPTICK IN INVESTMENT

The buyer pool remains dominated by Private Investors, and as such, is potentially more susceptible to fragile sentiment and perceived economic and political unrest. Despite this, high street investment volumes showed a slight uptick in Q3 (£114.3m vs £107.1m in Q2), but this was considerably down on the same quarter in 2024 (£183.8m). Pricing remains stable at 6.50% for prime and 10.00% for good secondary.

High street footfall

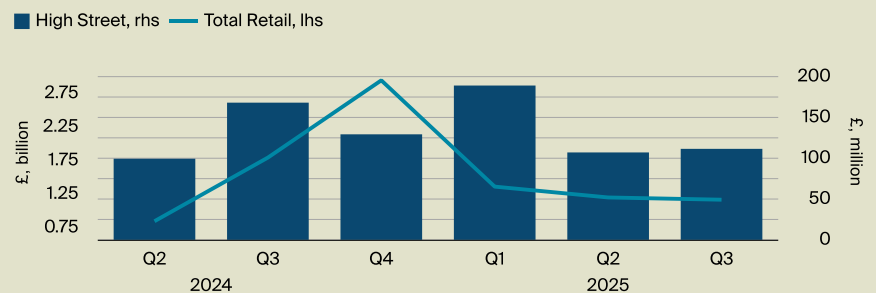
Monthly year-on-year change, %, vs. 2019 levels



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

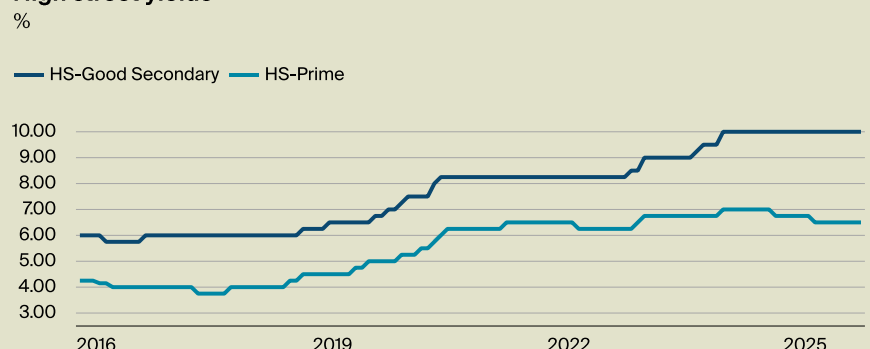
Source: BRC / Springboard

High street investment volumes



Source: Knight Frank Insight

High street yields



Source: Knight Frank

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Shopping centres

Depressed investment volumes, but big bellwether deals waiting in the wings for Q4/early 2026

FASHION FIRMLY BACK IN FASHION

Shopping centre footfall and retail sales were wildly out of sync for most of the quarter, the former weak (Jul: -0.3%, Aug: -0.0%, Sep: -2.0%), the latter robust (Jul: +2.4%, Aug: +3.1%, Sep: +4.0%). Rather than signify a flight to online, the discrepancy could equally be interpreted as a shift to higher average transaction values (ATVs). The key positive for shopping centres remains strong and accelerating demand for one of its main constituent categories, Clothing. Fashion sales values surged +7.8% in Q3 year-on-year, with volumes ahead by +6.8%. This buoyancy was reflected in positive trading updates from retailers such as Next and Superdry, although M&S and Primark presented a more nuanced picture.

BEST PERFORMING ASSET CLASS?

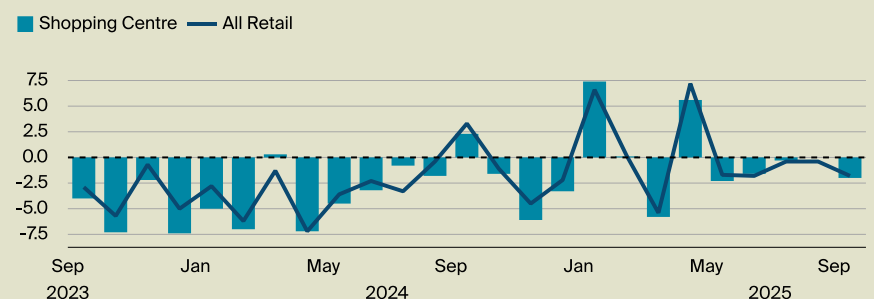
Shopping Centre vacancy rates improved by -120bps year-on-year, and by -40bps quarter-on-quarter, but remain high at 16.5%. A more stable / selectively acquisitive occupier market is also manifest in rental growth, with Q3 (+0.9%) marking further, measured acceleration on previous quarters (Q1: +0.6%, Q2: +0.8%). More positively still, Shopping Centres have slowly eclipsed Retail Warehouses as the top performing retail asset class. Shopping Centres achieved a total return of +2.7% in Q3, taking annualised total returns into double digits (+10.2%).

BIG TICKET BONANZA TO COME?

Disappointing Q3 volumes of £365m (across just four transactions) would have been far lower still without the 50% long leaseback buyout of the Bullring/ Grand Central in Birmingham by Hammerson for £319m. However, there is a significant amount of stock waiting in the wings and a number of bellwether shopping centre transactions (e.g. Lexicon in Bracknell, Braehead and Silverburn in Glasgow, The Broadway Bradford, Merry Hill) should exchange or even complete in Q4, or early in 2026.

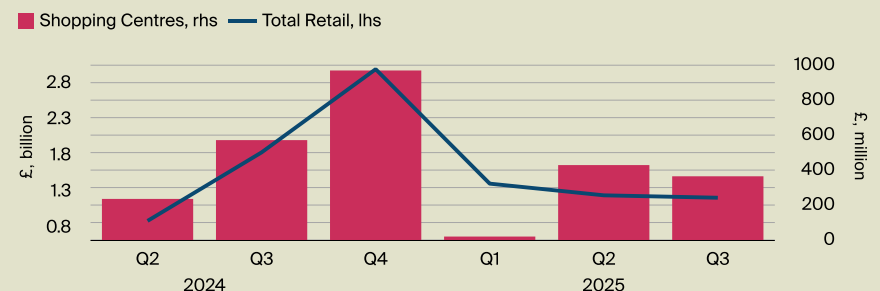
Shopping centre footfall

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



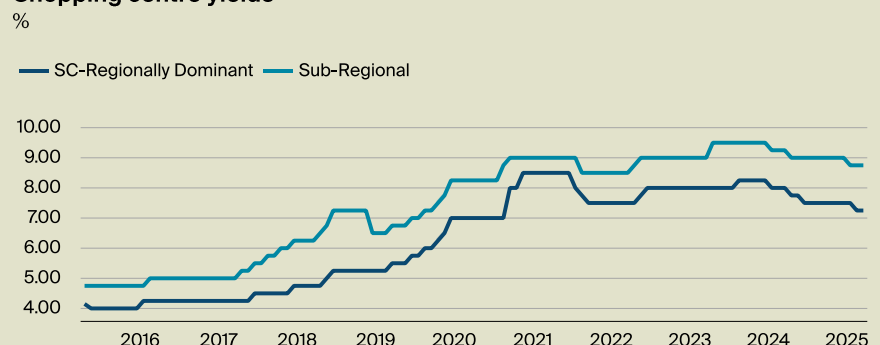
Source: BRC / Springboard

Shopping centre investment volumes



Source: Knight Frank Insight

Shopping centre yields



Source: Knight Frank

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Out-of-town

Star remains undiminished, but investment market stalls as pricing comes under greater scrutiny

SPEND DEFIES FOOTFALL WOBBLES

In common with the other main retail channels, footfall trends were out of kilter with spending patterns in Q3. RWH footfall was strong in July (+1.7%) but tailed off significantly in August (-1.1%) and September (-0.8%). Conversely, non-food retail sales values grew strongly across the quarter (Jul: +2.7%, Aug: +4.4%, Sep: +3.3%). Collective non-food Q3 year-on-year growth of +3.7% belied a very variable demand profile across the core OOT segments. Electricals (+8.5%) and Furniture (+5.6%) were the two top-performing categories. Demand for Garden Centres (+2.4%) and DIY (+2.5%) was more muted, while PCs & Telecomms (-4.9%) and Carpets (-5.9%) had a tough quarter.

LACK OF DEVELOPMENT PIPELINE

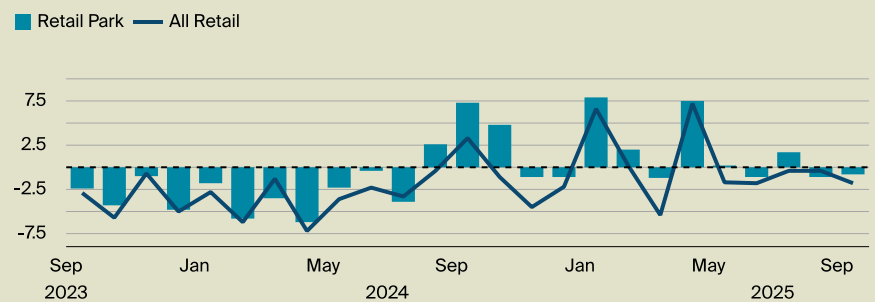
The OOT market was largely insulated from occupier fall-out in Q3, with failing operators (Claire's, Bodycare) largely in-town players. Occupational demand remains strong, to the point of bringing the lack of a development pipeline into question. RWH vacancy rates improved by a further -10bps quarter-on-quarter and -70bps year-on-year. The Q3 figure of 6.1% is the lowest since Q2 2018. Further RWH rental growth of +0.7% in Q3 took the annualised figure to +2.9%, the highest rate of growth since Q4 2006.

THE PRICE HAS TO BE RIGHT

Although recently surpassed by Shopping Centres, RWH property performance metrics nevertheless remain superlative. RWH achieved total returns of +1.8% in Q3, taking the annualised figure to +9.6%. Investment volumes were £491m in Q3, down on both Q2 (£612m) and the corresponding quarter in 2024 (£640m). Whereas previously a lack of available stock was the major constraint, pricing has now come under far greater scrutiny.

Retail park footfall

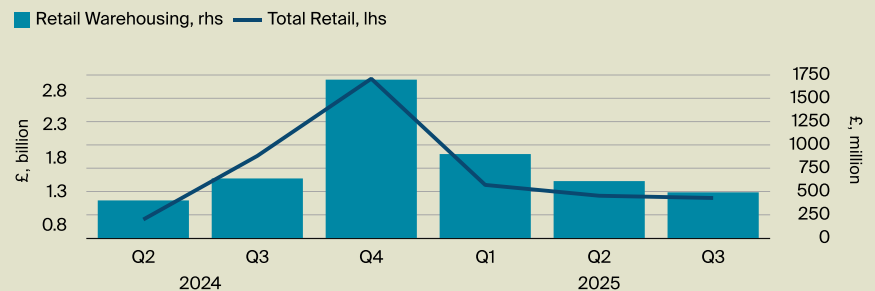
Monthly year-on-year change, %, vs. 2019 levels



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

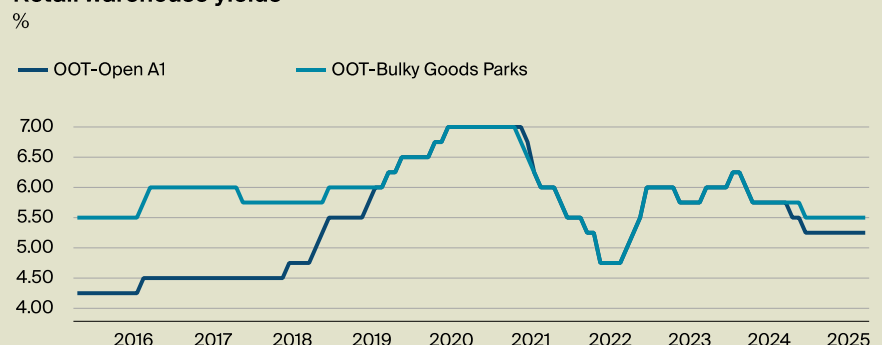
Source: BRC / Springboard

Retail warehousing investment volumes



Source: Knight Frank Insight

Retail warehouse yields



Source: Knight Frank

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Leisure

Spending comes under pressure amidst corporate ownership changes

MORE MEASURED SPEND

Leisure spending trends are showing greater sensitivity to anticipated Autumn Budget austerity. According to Barclaycard data, Hospitality and Leisure spending continued to grow overall in Q3 2025, but with a discernible decelerating trend (Jul: +2.7%, Aug: +2.5%, Sep: +0.4%). The major driver of growth was Digital Content & Subs. with Eating & Drinking spend coming under increasing pressure (Jul: +0.8%, Aug: +1.3%, Sep: +0.1%), with a sharp drop-off in demand in Bars, Pubs & Clubs (-0.5%) and Takeaways & Fast Food (-0.6%) in the final month of Q3.

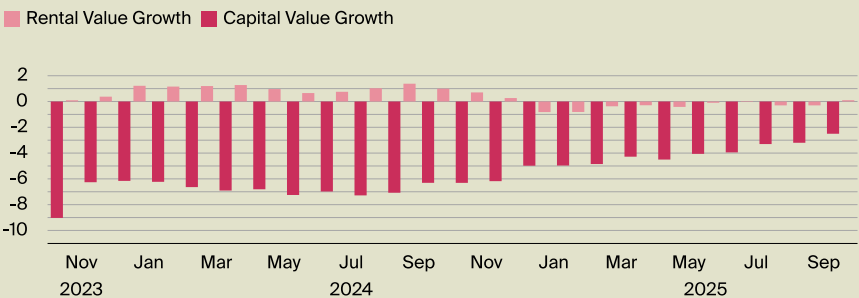
F&B OPERATIONAL PRESSURES

The administration of Pizza Hut and the sale of TGI Fridays laid bare the ongoing operational challenges of even the longest-established F&B brands (plus the ongoing prevalence of private equity in the market). Yum! Brands has salvaged 64 Pizza Hut sites through a pre-pack deal, but 68 will close. Having closed 36 sites last year as a pre-cursor to a sale, TGI Fridays has again changed hands, this time to Sugarloaf, owner of the brand worldwide. Meanwhile, a survey by industry body UK Hospitality reveals that tax rises have forced F&B businesses to dramatically cut their workforce, with 69% of respondents operating at or below 85% of required capacity. Other findings were that 1/3 businesses are now operating at a loss, 76% have had to increase prices, 63% have reduced hours available to staff and 1/3 of businesses are restricting opening hours.

RENTS REMAIN IN CHECK

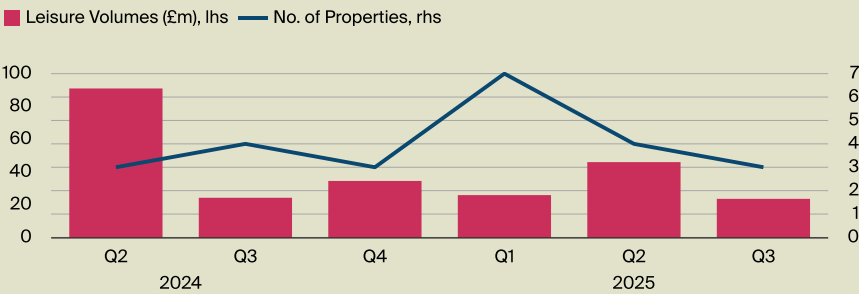
According to MSCI, Leisure rents declined by -0.1% in Q3, having flatlined the previous quarter. The sector achieved total returns of +1.3% in Q3, taking annual returns to just +3.7%. Question marks over tenant covenant strength continue to weigh heavily on investment markets.

Leisure – rental / capital value growth
Rolling 12 month % change



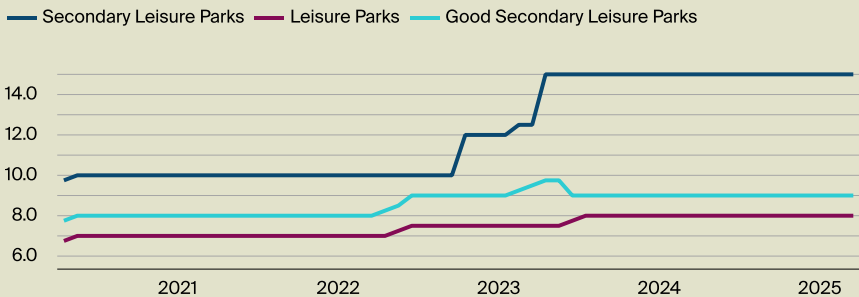
Source: MSCI

Leisure investment volumes



Source: RCA

Leisure yields
%



Source: Knight Frank

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Foodstores

Amazon calls time on Fresh, Tesco the biggest gainer of market share, question marks over demand

CONFUSING MESSAGING RE. DEMAND

High (3-5%) grocery inflation is the only real common denominator between the various foodstore data sources, which are otherwise contradictory. The ONS suggested very anaemic spend growth of just +1.6% in Q3 and a sharp volume decline of -2.1%. However, figures from Worldpanel by Numerator (formerly Kantar Worldpanel) suggest a higher rate of headline increase (Jul: +4.0%, Aug: +4.8%, Sep: +4.1%), but again, no volume growth. Trading figures from the major grocery operators themselves (e.g. Tesco H1 like-for-likes +4.3%, Sainsbury's Q1 +4.7%) are more supportive of the Numerator figures, but do also suggest volume growth.

SHIFTING CONSUMER PATTERNS

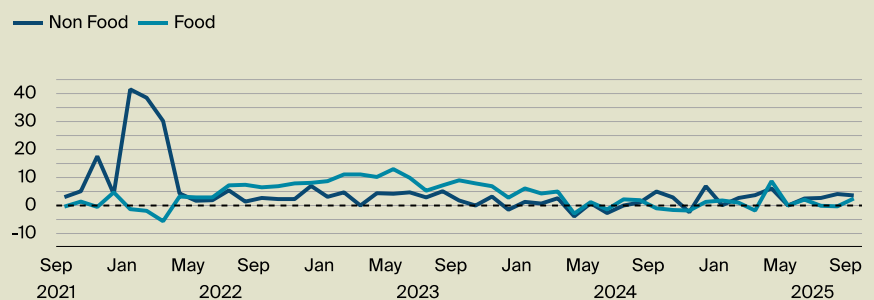
Higher prices continue to prompt changes in consumption patterns. According to Wordpanel, spending on promotions represented 29.4% of take-home grocery sales in September, the highest level since April. Price inflation also plays into the hands of the discounters. At the end of Q3, Aldi (10.6%) and Lidl (8.2%) had a combined highest-ever market share of 18.8%. Tesco added to its crown of being not just the largest foodstore retailer, but also the fastest growing (28.3% share in Q3 2025 vs 27.6% the year before).

STILL A SOUGHT-AFTER ASSET CLASS

The depth and breadth of ongoing investor demand is not wholly reflected in actual activity. Investment volumes in Q3 were £199m across nine deals, a marked upswing on a surprisingly subdued Q2 (£52m across six deals). In terms of lot size, the largest deal to complete in Q3 was Tesco in Ashford (£54m, NIY 7.05%), the keenest price achieved was Aldi in Billericay (NIY 5.25%, £7.5m). Volumes are likely to heighten considerably in Q4/2026 as both Asda and Morrison's undertake sale-and-leasebacks of portfolios of stores to raise capital.

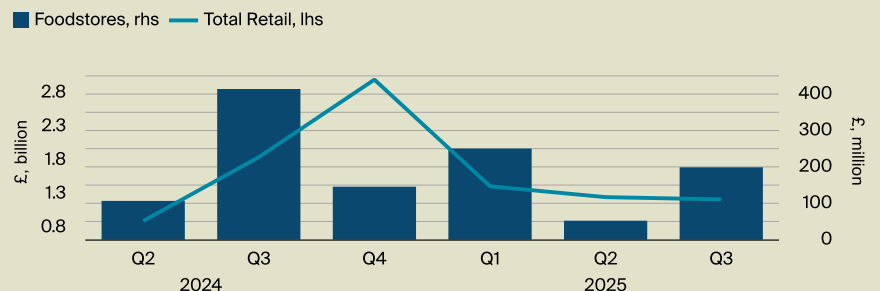
Food vs. non-food retail sales

Monthly year-on-year change, %



Source: ONS

Foodstore investment volumes



Source: Knight Frank

Foodstore yields

%



Source: Knight Frank

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Central London

Footfall rebounds, but spend remains worryingly elusive – with Domestic trade the main drag

CHASM BETWEEN FOOTFALL VS SPEND

West End footfall rebounded massively in Q3 (Jul: +8.1%, Aug: +5.4%, Sep: +8.4%), but sadly spending did not follow suit (-0.4%, -2.7%, +0.5%). The return to spending growth in September (for the first time since November 2024) was driven purely by International Visitors (+4.0%), with Domestic demand still in negative territory (-1.2%). YTD spend overall remains -1.5% below last year, with Average Transaction Values (ATVs) down -3.1%, but overall transactions actually up +1.7%. The read from this is that footfall is there, consumers are buying more, but lower value items and ultimately spending less. New West End Company are optimistically predicting that Christmas spend will be up +1.3%, with International demand (+1.9%) outstripping Domestic (+0.9%).

MUTED OCCUPIER DEMAND

EGi listed just 19 retail & leisure lettings in the core Central London markets in Q3, a slight uptick on the 14 reported in Q2, but well below the 35 long-term quarterly average. Key lettings included the relocation of jewellers Boodles on Bond St and a couple of international debuts on Regent St, in the shape of Italian fashion retailer Max&Co and New York-based lifestyle brand Kith. The sole new letting reported on Oxford St in Q3 was a 2k sq ft Rituals store.

REAL ESTATE METRICS IMPROVE

After a significant period of rebasing post COVID, Central London retail property markets are now showing considerable signs of progress. Underlying rents grew by a further +1.7% in Q3, while most of the core markets (including Oxford St and Bond St) are seeing a slow upturn in prime zone A rental tones. Vacancy rates are also improving, with Covent Garden (6.0%), King's Road (6.8%) and Oxford St (8.9%) all in single digits and at their lowest level since COVID.

West End footfall

% change year-on-year

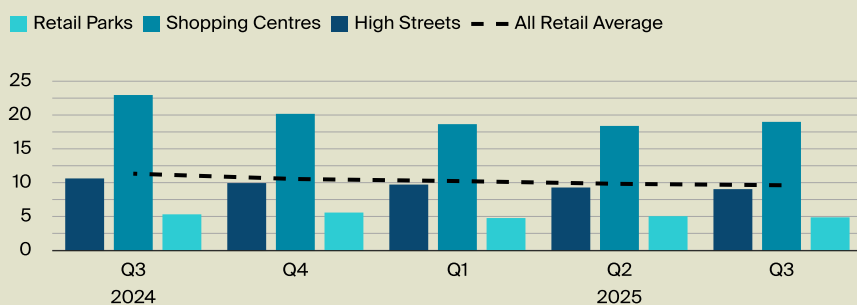


Source: New West End Company

Vacancy rates*

% units

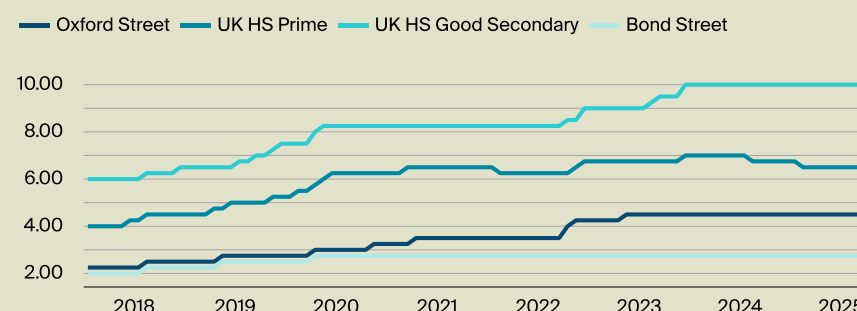
*Greater London



Source: Local Data Company

Yields

%



Source: Knight Frank

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Specialist sectors

Data centres, healthcare & life sciences

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LIFE SCIENCES – [JENNIFER TOWNSEND](#)

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Data centres

Hyperscale developers remain committed to the UK, however concerns over the availability and cost of power raise questions as to the UK's large-scale AI competitiveness

DEVELOPMENT CONTINUES DESPITE ONGOING POWER CHALLENGES

Despite data centre developers and operators continuing to battle the UK's heavily congested power application pipeline, development has not slowed.

c.£10 billion worth of projects were either announced or completed during the quarter, with leading developments being Colt Data Centre Services' £2.5 billion Hayes campus being approved, Ark Data Centres consultation on a £2 billion campus near Watford, and Equinix's acquisition of the DC01UK site for £3.9 billion – the most expensive powered land acquisition in EMEA to date. From the M&A lens, commitments have not slowed either. Microsoft has committed \$30 billion over the next three years to UK AI infrastructure, pledging to build the UK's largest supercomputer, featuring 23,000 Nvidia Grace Blackwell Ultra GPUs. UK startup Nscale raised a further \$433 million, bringing its total series funding to \$1.7 billion. Alongside which, highly active US neocloud provider CoreWeave has announced plans for a £1.5 billion AI data centre at Scotland's DataVita site.

Retrofitting remains an active avenue for investment also, with BlackRock announcing plans to commit £500 million to acquire and retrofit legacy enterprise data centres as part of its new Gravity Edge JV.

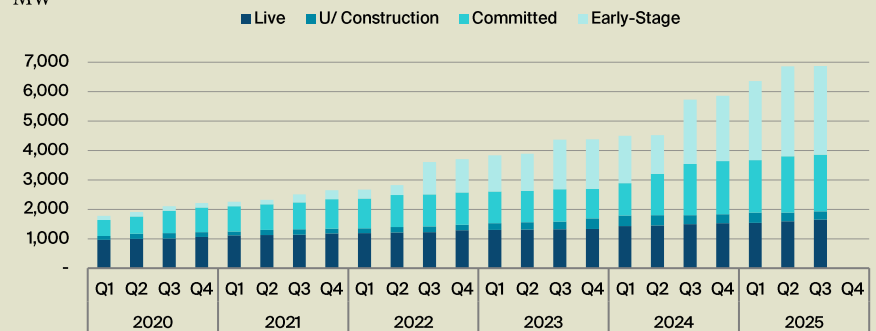
HIGH POWER COSTS COULD DETER HYPERSCALERS

Although the UK's data centre market has pushed forward, there are growing concerns regarding the cost of power, and the impact this may have on the tenability of large-scale AI campuses.

Pure DC CEO, Dame Dawn Childs, has warned that the availability and cost of power in the UK means building a hyperscale facility is 'untenable' for many large companies.

Power prices in the UK are four times higher than the US and three times higher than France.

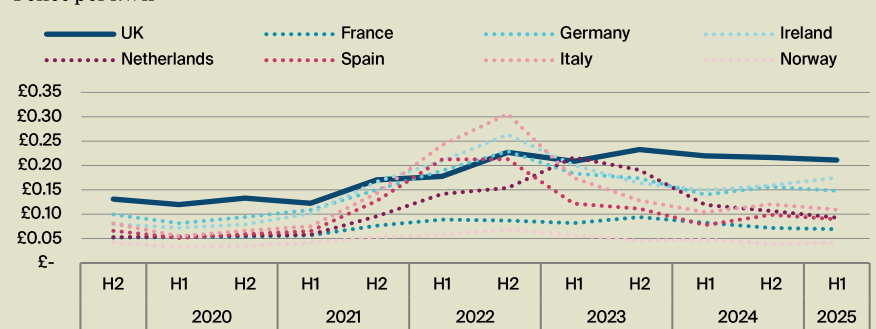
UK Supply Development
MW



Source: Knight Frank Insight

Non-domestic Electricity Pricing

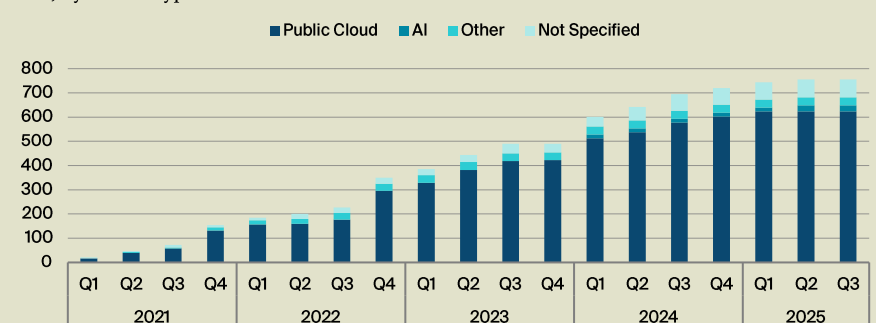
Pence per kWh



Source: Knight Frank Insight

UK Lease Agreements

MW, by tenant type



Source: Knight Frank Insight

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Healthcare

UK healthcare set for record transaction volumes in 2025

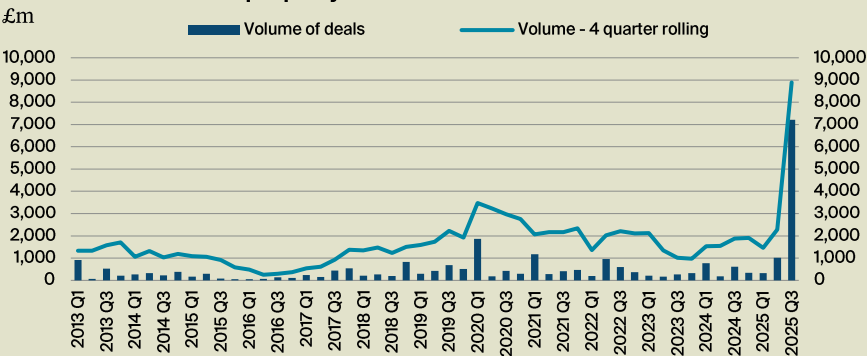
NORTH AMERICAN CAPITAL CONTINUES TO LEAD

Investment volumes had a very strong Q2 due to key portfolio deals, such as Omega's purchase of the FSHC homes and Care Trust's acquisition of Care REIT. Q3 has substantially built upon this momentum, with reported volumes for the quarter more than double the annual amount in 2024.

We now anticipate that 2025 will close at approximately £12.5 billion in transaction volumes, with reported volumes to the end of Q3 standing at around £8.5 billion, resulting from Welltower's huge £6.4 billion acquisition of Barchester and HC-One, as well as sizeable deals including Graham Care and Select Healthcare. Q4 has already seen some completions, as well as major deals such as the PHP acquisition of Assura receiving the go-ahead.

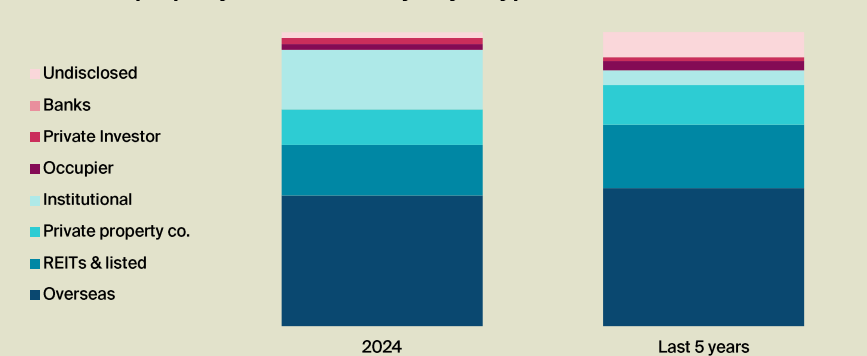
Overall, there is a strong sentiment with respect to healthcare capital markets. Yields across the board have remained stable, and lender appetite for the sector remains positive. There is a significant amount of M&A and portfolio deals driving the market at present, which appears to be the beginning of a consolidation of what has historically been a generally fragmented market. On the European front, we are still awaiting the completion of the proposed merger between Aedifica and Cofinimmo to create what would be Europe's largest and the world's 4th largest healthcare REIT. With 2025 poised to be a mammoth year for healthcare volumes, nearly five times the annual average, the ongoing question remains: where will the next buying opportunity emerge, or what structural specifics will prevail? However, it is becoming immensely clear that healthcare is an attractive asset class with evident rewards for investors who can tap into the operational nature of the sector. With all the market activity, sentiment and available capital, this could be just the start of healthcare's bull market.

Recorded healthcare property transactions



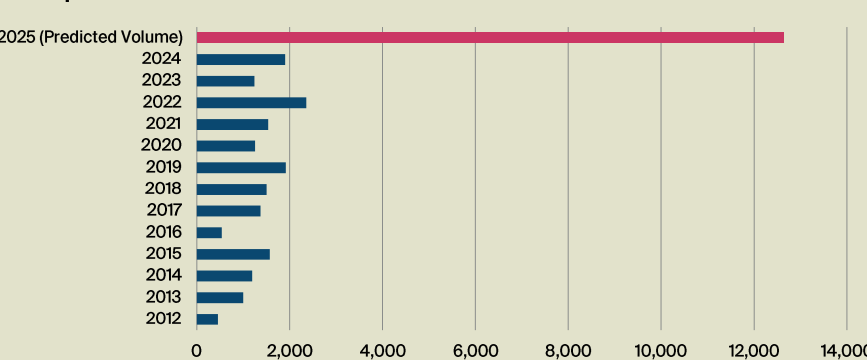
Source: Knight Frank Insight

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

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Healthcare

Bed supply constraints remain an issue, despite strong underlying drivers

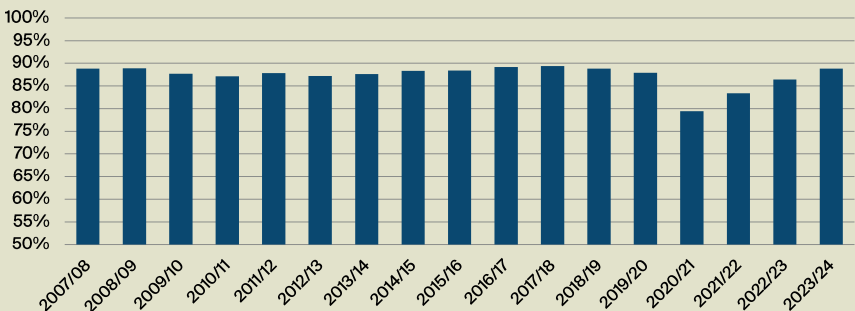
NEW BED DELIVERY IS STILL SLOW

Despite promising figures on the capital markets front, we are still seeing a lag in the development of new beds. As of June 2025, it was reported that only 39 new homes had been built, representing 2,607 new care beds. Comparatively, in 2024, despite the delivery of over 7,000 beds, we only saw a very modest net bed gain. We have seen, over the past few years, a continuation of the trend of greater home de-registrations, largely driven by the closure of smaller facilities that are gradually being replaced by larger, purpose-built, and future-proofed homes, with a reported average newly completed home size of 67 beds. Improvements in our coverage and data collection have enhanced the accuracy of our analysis, not only of gained but also of lost beds. By separating new beds from those that were simply reopened, it is clear that a substantial amount of work is still required to mitigate the suggested future bed shortfall fully. Again, a key statistic is the delta between the +2.9% growth in bed supply and the +20.7% growth in the over-65 population over the past decade.

UNDERLYING DRIVERS REMAIN STRONG

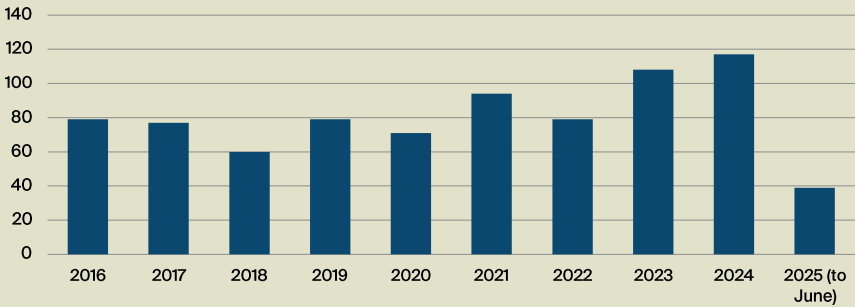
Leading into this year's trading performance analysis, which covers approximately one-fifth of the total market, we expect to see further improvements in occupancy, along with continued growth in average weekly fees, similar to previous years. 2024 saw staffing costs as a percentage of income fall to 56.7% from 60%, as well as the all-care average fee grow by around 7% year-on-year, now standing at £1,182 per week. We expect this trend to continue as the cost of care continues to rise. Occupancy rates are expected to remain strong, which, coupled with the above, should lead to an overall improvement in operator EBITDARs, currently averaging 25.9% based on our last analysis. The sector may also benefit from what appears to be a significant consolidation exercise by investors, as greater platform efficiency leads to further improvements in financial KPIs.

Occupancy
%



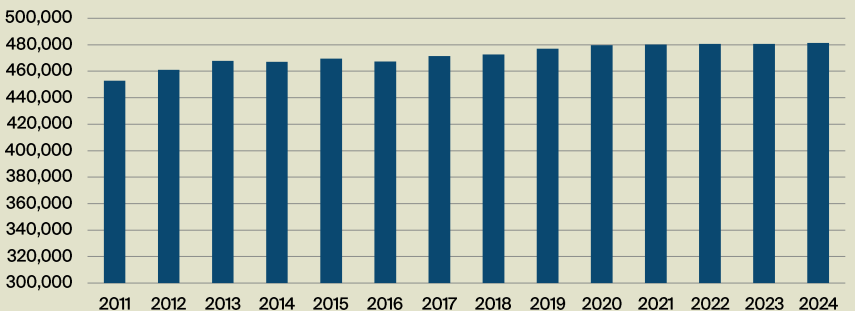
Source: Knight Frank Insight

New UK care homes completed



Source: Knight Frank Insight

Elderly Care Home Beds
Thousands



Source: Knight Frank Insight

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Life sciences

Life sciences funding fell year-on-year as capital narrowed. The IPO window stayed shut, domestic M&A eased while reviving globally, and the wider UK innovation economy drew substantial funding

TWO SCREENS FOR UK LIFE SCIENCES

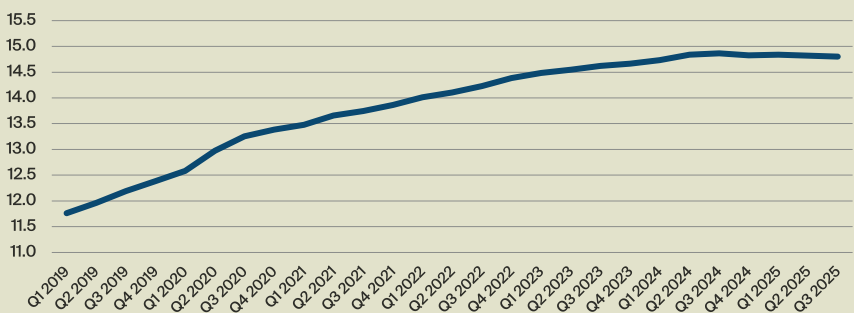
Q1–Q3 UK life sciences funding totalled £2.20 billion, 15.7% below the same period in 2024. Q3 recorded 90 deals with £507.93 million invested, down 12.15% quarter-on-quarter. Activity remains narrower and more concentrated in AI-enabled and preventative care propositions. Regional analysis offers a sharper picture, with London posting its second-highest year to date total for funds raised. The UK life sciences IPO window stayed shut. UK life sciences M&A fell from 27 to 16 deals and private equity ticked up from 13 to 15, leaving the quarter below trend even as global life sciences M&A picked up in September. Births and cessations broadly offset each other, leaving the number of active UK life sciences companies flat in tougher operating conditions.

UK life sciences is a two-screen story. Investment momentum (EIT pledged to spend £10 billion on science and talent, Moderna’s £150m Oxfordshire site) alongside high-profile pauses and restructurings (MSD, Sanofi, Eli Lilly, AstraZeneca). Ministers now sound confident that an agreement can be struck to assuage big pharma’s key concerns.

Across the wider innovation economy, UK innovation firms raised \$9 billion in the third quarter, the second strongest Q3 on record and the best since 2022. Ministers say that since June, more than £250 billion of supported investment has been secured across industrial strategy sectors, with a further £10 billion of commitments announced at the recent Regional Investment Summit. Most of this activity is concentrated in innovation-led industries. After the quarter closed, the government also unveiled £500 million for the Oxford–Cambridge Arc.

Number of active UK life sciences companies

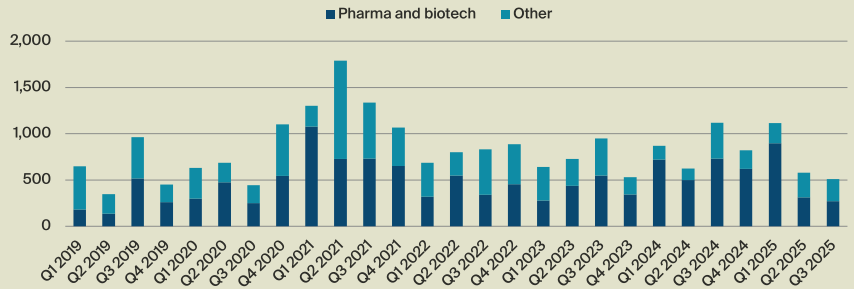
Thousands



Source: Knight Frank Insight, Beauhurst

UK life sciences venture capital funding

VC funding into UK life sciences companies, £m

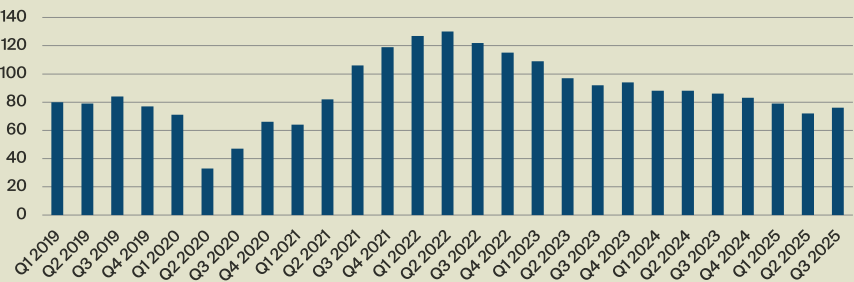


HQ only. Completed deals and full transactions only. Covers: Biopharma, MedTech and Digital health. Data as at 09/10/2025. The data in PitchBook is continuously updated to reflect the most current information. As a result, historical data may change over time.

Source: Knight Frank Insight, PitchBook

Vacancies: professional, scientific and tech

Thousands



Source: Knight Frank Insight, ONS

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Life sciences

Take-up eases in Q3 as active demand and space under offer increase, supported by an expanding development pipeline

MUTED TAKE-UP BUT DEMAND RISES

Golden Triangle life sciences take-up was subdued in Q3 at 58,248 sq ft, down 56.1% quarter-on-quarter with declines across all markets. Deal count fell in every market except London, which recorded six deals, four of them 5,000 sq ft or under.

Active demand for lab space across the Golden Triangle has risen by 19.8% quarter-on-quarter, equivalent to an additional 350,000 sq ft. There is currently 637,571 sq ft of lab space under offer, signalling a potentially stronger end to the year, though it's worth noting that a large proportion of this total relates to the EIT scheme in Oxford.

CONSTRUCTION ADVANCES AS INVESTOR ACTIVITY REMAINS SUBDUED

On the ground, life sciences capital markets were quiet with no completed investment deals recorded in Q3. This was in part due to a lack of suitable opportunities in the Golden Triangle. After the quarter end, The Crown Estate acquired Harwell East, a 221-acre site adjoining the Harwell Science and Innovation Campus in Oxfordshire. The EIT also bought land from Oxford Science Park for a new science and technology campus.

Only 18,000 sq ft of lab space completed in Q3, all at Journey Campus, central Cambridge's first private, fully fitted wet-lab incubator, while a number of other schemes slipped into Q4. Development activity remains robust, with 1.18 million sq ft of lab space scheduled for completion in Q4 2025. This will bring total lab space delivered across the Golden Triangle this year to 1.86 million sq ft.

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