Commercial & Residential

MARKET UPDATE

February 2025

allsop

MILLENNIUM GROUP

Economic Overview

The outlook for 2025 looks increasingly complex and challenging compared to where we were in Q4 2024. The Bank of England's latest projections (6th Feb) suggest a gradual recovery in GDP growth from mid-2025, but significant new headwinds in the near term warranted a halving of their November 2024 GDP forecast.

They have also increased the scale of the anticipated 'dead-cat-bounce' in inflation this year by roughly 100 basis points, forecasting CPI to now peak at 3.7% by Q3 2025. This combination of a slowing economy and rising inflation is usually an economist's and Chancellor's worst nightmare – yet worryingly, stagflation is now a genuine concern.

Several factors will determine whether this situation can be avoided. The nature of the impact of the Autumn Budget's tax and spending measures, particularly the increase in employer NICs and minimum wage changes, will likely constrain business investment and hiring decisions. This is especially true in sectors dependent on lower-wage and//or high-volume staffing levels (Retail, Hospitality, Construction, etc.).

Business surveys conducted since the Budget indicate that most firms intend to cover the extra labour costs through a combination of price rises and hiring freezes//staff cuts. Both of these will, in terms of scale, have an as-yet-unknown negative impact on inflation and consumer demand.

Additional pressures on debt costs from the Bank's active Quantitative Tightening stance, combined with the higher public-sector appetite for borrowing, will likely place continued upward pressure on longer-term commercial funding costs. At the same time, any divergence between UK monetary policy and the US & ECB could push sterling higher, potentially adding to imported price inflation. This could also be the result if UK interest rates remain higher for longer due to more persistent domestic inflation pressures. Coupling this with rising trade tensions and protectionist measures creates additional uncertainty and downward drag on the UK economy.

While the labour market remains relatively robust, the projected rise in unemployment to 4.75% suggests a gradual moderation of upward wage pressures. However, the strong labour market and real wage growth have been the one saving grace for the economy through the cost-of-living and inflation crises. Were the labour market to slow too far too quickly, we could start to see a major risk of recession.

No surprise then that Andrew Bailey, the Bank of England governor, highlighted that the MPC has now added a new descriptive word to their formal characterisation of their strategic policy approach – 'careful' has now been added alongside the existing term: 'gradual'.

Markets had been translating the MPC's 'gradualism' into the expectation that rates would be slowly eased by 0.25% three or four times in 2025. However, the formal addition of the word 'careful' implies a new hawkish stance to the Bank's apparent broader thinking which could reduce the scope for future cuts.

Given the upside risks now emerging, both to underlying inflation and the broader macroeconomic picture, this new caution is perhaps justified. As 2025 unfolds, there is a growing sense that major shifts in the global political and fiscal landscape are likely to emerge at some stage, which will confound the historic trajectory of markets and policymakers' expectations.

On a more positive note though, we started last year on a similarly cautious and slightly downbeat note yet ended 2024 with resurgent commercial and residential investment activity as certainty and optimism returned. The scale of the Autumn Budget did come as a surprise and put a pin in some plans while the subsequent bump in debt costs and fine details were digested. However, there remains a deep pot of 'dry powder' still looking to invest in UK real estate in 2025.

Real estate professionals in the 2020s could therefore be forgiven for feeling like Sisyphus, eternally pushing a boulder uphill only to see it roll back down as the New Year comes back around.

Fortunately, our industry shares the Greek legend's apparently bottomless resilience and determination. Just like 2024, we expect activity levels and conditions to improve as the year unfolds and the current uncertainties and risks either translate into new realities or fade out of view. Further rate cuts in Q2 and Q3, combined with any action by the Government to improve short-term growth prospects, would smooth the path even further.

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City & City Fringe Investment Market

Overview

2024 transaction volumes reached a total £2.268Bn which is the lowest annual volume in the City since 1990. The total volume is quite significantly down on 2023 (£3.75Bn) and c.65% below the 5 year average (c.£6Bn). However, Q4 experienced the highest quarterly volume of the year and double that of Q4 2022 volumes demonstrating signs of improved market sentiment coming into 2025.

Significant Q4 24 transactions making up the total of £790M include Labs' sale of **90 High Holborn, WC1** to Greycoat & Polis (£180M) and Helical Plc's sale of a 50% share in **JJ Mack Building, EC1** to Ashby Capital (£139.2M) – these two transactions totalling nearly 50% of the total. Other notable sub £50M transactions include – Criterion's acquisition of **1 Princes Street, EC2** from RBS (£35M), French Fund Iroko's second acquisition of the year; **158-164 Bishopsgate, EC2** from British Land (£25.7M) and toy company Zuru's purchase of **10-4 Pentonville Road, N1** from Derwent London (£26M) for their own occupation.

The average lot size in Q4 was c.£31M which when compared to the 2017 average of in excess of £90M shows how the liquidity for larger lot sizes has dramatically declined. We have still seen 82 transactions however, so **the number of deals remains high, despite much smaller total volume**. Allsop City team were responsible for five of these in Q4 most of which were in the liquid lot size range of £5M to £15M.

Who is Buying?

For the first time in a while the UK investors were outgunned by overseas buyers with American Investors accounting for c.40% of the total volume across five transactions, with Middle Eastern investors second, accounting for c.29% of the deal volume. Once again, Asia investment was generally low with only one transaction by LKK Foods who acquired the final piece of the island site around the Walkie Talkie building from Royal London Asset Management.

Owner occupier acquisitions are becoming more prevalent than ever, seeking to capitalise on historically low pricing. Premium pricing was realised for **16-18 Monument Street, EC3**, a 22,951 sq ft freehold building which sold for £15,000,000, £654 per sq ft, £1,000,000 ahead of the original guide price, to an owner-occupier following a competitive bids process.

French retail funds remain active buyers of high yielding assets that are fully let. Iroko purchased their second London asset of 2024, the long leasehold interest in **158-164 Bishopsgate, EC2** from British Land for £25.7M, 7.67%, £519 per sq ft. The 49,484 sq ft mixed-use building is primarily let to Tesco, with offices above multi-let to six tenants off a low overall passing rent of c. £42.68 per sq ft. ►

City & City Fringe Investment Market

Who is Selling?

Most active sales are being driven by finance related events or wider strategic decisions to sell i.e. closed-ended Fund or sector diversion, rather than business plan completion sales or profit taking. One of the larger Q4 sales was **The Relay Building, 1 Commercial Street, E1** which was marketed for sale under instruction of the senior lender. The 102,905 sq ft virtual freehold office building (with sold off residential above) was purchased by the borrower for over 50% less than the original purchase price of £91M in 2018. The price paid in December was £43M reflecting 12% yield (topped up) and £418 per sq ft but with a considerably shorter WAULT.

Buildings with diminishing income streams or in need of heavy capital expenditure are attracting buyers from the C1/aparthotel sector which is very well-capitalised. These purchasers are preserving values for vacant office buildings within the City of London provided they can be configured for a bed use. In December 2024 AEW's EVI Fund sold **St Clements House, EC4** ahead of the guide price for £22,225,000, £513 per sq ft to JMK who will convert the building into a 132 room aparthotel. Allsop were also responsible for the sale of ABRDN's Gate House, 1 Farringdon Street, EC1 which was acquired by a private UK investor for £11.3M reflecting £518 per sq ft to convert to C1 use.

Headline Deals

The largest deal of the quarter was Greycoat & Polis acquisition of **90 High Holborn, WC1** from Labs for £180M, 6.6% net initial yield and £991 per sq ft. Held freehold in a strong Midtown location, the building is multi-let to four tenants, the majority tenant being Labs Worldwide off average rents of £64.32 per sq ft and a WAULT of c.8 years term certain. The 6.6% acquisition yield is a c.200bps discount to the pricing originally quoted when the building was first marketed for sale in 2022.

The sale of a half share in Helical's **JJ Mack Building, EC1** to Ashby Capital was the second largest deal of the quarter and the fifth and final transaction of the year over £100M. This prime new development next to Farringdon West Elizabeth line hub is multi-let off an average rent of £83.43 per sq ft with a WAULT to break of 10.9 years. Held long leasehold, the yield achieved was 5.75% on the contracted rent and at £139.2M, the capital value was just in excess of £1,351 per sq ft. Despite the long leasehold tenure this pricing is reflective of a 'best in class' building trading in the current market.

Direction of Travel

Following interest rate cuts in August and November, but either side of what was deemed a largely inflationary Autumn Budget, sentiment seems to be slowly improving as the number of active buyers in the City continues to increase. In 2025 we anticipate more £100M+ transactions, with more impetus from buyers to conclude deals. However, any significant increase in values is unlikely until the velocity of interest rate cuts increases.

There is increasing pressure on owners who have been able to extend existing loans in the short term. We therefore expect more sales to be driven by finance related events as banks lose patience, but also from owners of 'best in class' well let assets, especially those assets which have capitalised on a strong leasing market with major pre-let activity at record rents. Evidence from sales such as JJ Mack demonstrate robust pricing for 'best in class' assets with exceptional ESG credentials.

The £870M+ currently under offer/ exchanging in January (including some large transactions such as 1 Portsoken Street and Borough Yards) suggests there will be an increase in £100M+ transactional activity in 2025. With a steadily increasing buyer pool, transaction volumes should continue their recovery through 2025, hopefully supported by further interest rate cuts.

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City Leasing

Overview

The City office market demonstrated resilience in Q4 24, with 1.71M sq ft transacting, remaining 19% above the 10-year quarterly average. This marks the third highest quarterly figure of the past four years, exceeded only by Q4 23 and Q3 24, indicating sustained momentum in the market. Grade A leasing accounted for 54% of the quarterly total at 927,000 sq ft, 5% ahead of the 10-year average.

As the market enters 2025 with a mix of optimism and caution, the resilient leasing activity in 2024, particularly in the Grade A segment, demonstrates continued demand for high-quality office space. The increase in larger pre-letting transactions suggests that some occupiers are making significant commitments, driven by lease events or strategic relocations.

At the end of 2024, Prime ‘Best in Class rental rates in the City continued their upward trajectory at £95.00 per sq ft; this was 7.5% up on 2023 from £88.50 per sq ft with a flight to quality continuing to drive prime rental growth for best-in-high quality offices. Grade A office rents increased marginally to £70.50 per sq ft, up 2.8% from 2023.

The high pre-let rate (61%) for 2025 completions is encouraging, suggesting strong demand for new, high-quality space and the permanent return to the office at lease 4 days in the working week. This trend is likely driven by the occupiers’ focus on ESG credentials and the need for modern, efficient workspaces to attract and retain talent.

The shortage of high-quality space remains acute, with City Core vacancy at 7.6%, Grade A vacancy at just 3.8%, and tower space now achieving sub 1% availability. With 22 Bishopsgate now fully let, **8 Bishopsgate** and **40 Leadenhall** are the next two close to completing their leasing campaigns with 5 floors left between the pair. This scarcity of prime stock continues the drive for best in class office space and supports the robust rental growth observed in the market.

Development Pipeline

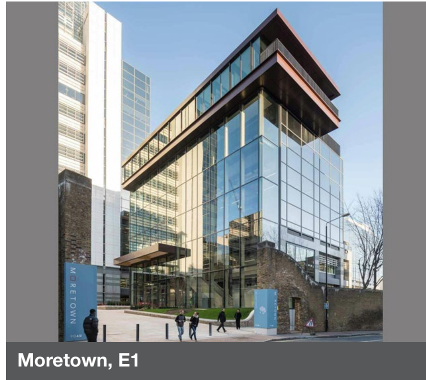
Completions in 2024 totalled just 2.3M sq ft, the lowest figure since 2016, of which 64% was pre-let. Nonetheless, the development pipeline for 2025 looks significantly stronger, with 5.4 million sq ft of space scheduled to be delivered in the wider City. Of this space, 61% has already been pre-let, leaving 1.7M sq ft under construction and available - a figure only 8% ahead of the average from 2020 to 2023 and one which is likely to decrease as schemes let near completion. ▸

City Leasing

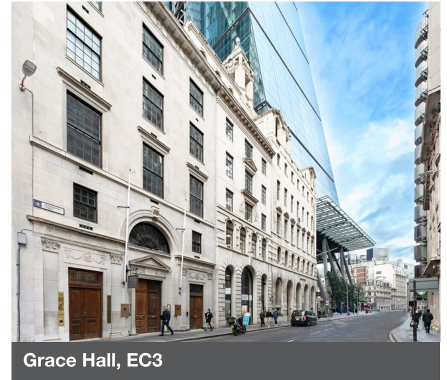
Headline Market Deals

Key completions in Q4 24 were Moody's pre-let 110,000 sq ft at **10 Gresham St, EC2**, Octopus Investments taking 91,000 sq ft at **The Gilspur, EC1**, Alix Partners acquiring 85,000 sq ft at **One Millenium Bridge,EC2**, and Morgan Lewis and Bocklus UK acquiring 76,000 sq ft at Peterborough Court.

The Gilbert, EC2



Moretown, E1



Grace Hall, EC3

The Folgate Building, E1

12 Arthur Steet, EC2

Allsop Transactions

The City leasing team continued a run of success into Q4 24. Key completions have been Tripadvisor acquiring 26,099 sq ft at CLI Dartriver's **The Folgate Building, E1**, acquiring 30,050 sq ft on behalf of Broadridge Financial Solutions Limited at CIT's **12 Arthur Steet, EC2**, UK Payments signing a new lease of 46,735 sq ft at Resolution's **Moretown, E1**, Fidelis signing a new lease to take a self-contained (whole building) 19,625 sq ft at **Kingboard's Grace Hall, 147-148 Leadenhall, EC3**, and OCBC acquiring 17,018 sq ft at Brookfield's **The Gilbert, EC2**.

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West End Investment Market

Overview

The West End capital markets had a busy finish to last year, **recording £1.06Bn of transactions during Q4 24** either exchanged or exchanged and completed in **32 deals** with an **average lot size of £35M**.

This brought the **total for 2024 to £3.75Bn**, represented in **106 transactions** and an average lot size for the year of £35M. This is higher than 2023 (£3.05Bn) but still falls far short of the previous **5 years' average of £5.1Bn and 10 year average at £6.5Bn**.

Whilst volumes are an easy indicator of market activity, at Allsop we also track the number of transactions. 32 deals in the quarter is the largest total for three years and 106 deals for the year marks a greater than 25% increase on both 2023 and 2022.

In fact, only twice in the last six years have we seen over 100 deals in a year, which signals a wider confidence in the market.

Who is buying and selling?

Highlights from the quarter include JP Morgan completing the sale of **Times Place, Pall Mall, SW1** to Ares for £135M and 4.3%, and Global Holdings buying two refurbishment opportunities in Soho - **10 Great Pulteney Street, W1** off BooHoo for £49.5M, £1,100 per sq ft, and **Frith & Bateman, W1** for around £24M.

The London-focused REITS were buying, with GPE buying two assets for their flex platform, plus Shaftesbury Capital and Derwent London making investments.

Garden Squares continue to be popular – making up a third of the volume - not seen since December 2020 when Allsop advised on the sale of 21 St James's Square, SW1 and the purchase of 1 St James's Square for a combined £420M+ - Q4 24 saw Joint Treasure sell **3 St James's Square, SW1** to US Fund Realty for £126M, c 4% and £2,475 per sq ft and Chinese Estates sell **11-12 St James's Square, SW1** to Larry Ellison for a reported £162M, £2,000 per sq ft. Both vendors were Asia-based and both US buyers are believed to have bought for part owner occupation. **30 Golden Square, W1** was purchased by L&G from Aviva for £72M, c 4.5% and £2,200 per sq ft.

We are aware of a significant increase in requirements for West End offices, in particular for £20-60M value add, well located freeholds – which are in acute short supply – this money is coming from a wide range of geographies, most notably Israel, UK funds/REITs, private investors and US run opportunity funds. We are also starting to see Australian pension fund money flow into the capital. Asian investors and specifically Hong Kong-based have typically been net sellers, as have UK funds.

Direction of Travel

Capital markets remain subdued across London, **however the trajectory is positive**, the second half of the year has marked the return of the office investor for the larger lot sizes. We are beginning to see the pricing gap between buyers and sellers narrowing – leading in some cases to assets that have been broadly on the market for the past couple of years, now going under offer as vendors have softened their valuations and buyers perhaps have a stronger case for buying given the stellar rental growth experienced for the right assets. Relatively high build/refurbishment costs remains an issue however.

As we kick off 2025 some of the deals that didn't conclude in time for Christmas but remain under offer include 20 Manchester Square, Lyric Square, W6, 1 Kingdom Street, Paddington, W2 and 100 New Oxford Street, WC1 – around £600M combined. In all we are tracking around £1Bn of stock under offer. Hopefully a good start to the year. If we see other £200M+ transactions like Paddington then volumes should return to average.

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West End Leasing Market

Overview

The West End office leasing market closed the year with 3.52M sq ft of transactions being completed across 2024. It was very much a year of two halves with H1 take up being very sluggish at only c.1.2M sq ft, whereas **activity accelerated notably towards the end of the year** with the H2 total of over 2.3M sq ft of lettings nearly doubling what had been achieved in the first 6 months. Q4 totalled 1.1M sq ft of new lettings. That said, **the overall take up level remained consistent with that achieved in 2023**, but still below the 5-year average.

In terms of supply the West End vacancy rate crept up slightly from 7% of total stock at the start of the year to 7.6% at the close. This was predominantly because of some significant development completions coming to the market in Q4, the largest of which is Seaforth Land's **Space House, WC2** development where c.235,000 sq ft has reached PC and is now available.

We continue to see good rental growth for newly refurbished space across the West End, with the Mayfair, St. James's and Soho submarkets exhibiting **average rental increases of more than 10% across 2024**. We now assess the Grade A average prime rent in the West End to be £95.00 per sq ft. We are regularly seeing negotiations in the late £100's / early £200 per sq ft for premium space with terraces in prime Mayfair & St. James's locations.

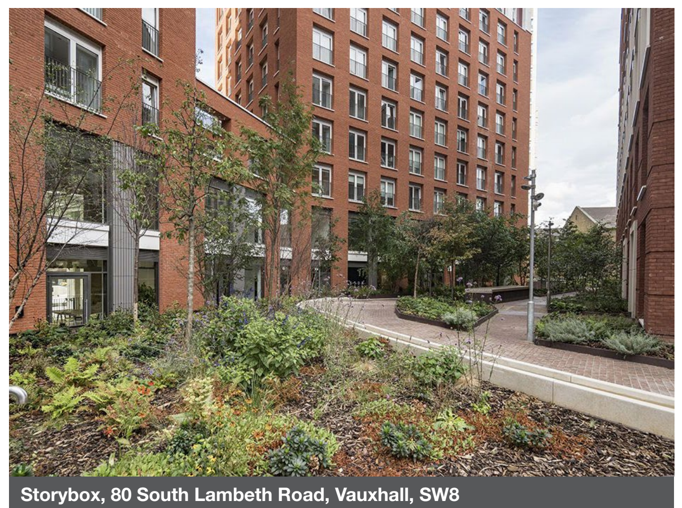
Headline Allsop Deals

In Q4 24 Allsop were delighted to advise two separate medical occupiers on their acquisitions of **24 Newman Street, W1** and **248 Great Portland Street, W1** totalling 8,000 sq ft. These deals continue to show the attractiveness of good West End locations to the ever-expanding private healthcare sector.

We were also proud to conclude a pre-letting of warehouse style fully fitted accommodation in Covent Garden at **Imperial House, 8 Kean Steet, WC2** on behalf of CCLA. Zero100 have secured the 3rd floor comprising 5,400 sq ft. There are a further 3 floors coming available in 2025 totalling 19,000 sq ft.

Lastly another fully fitted option was successfully leased at **Storybox, 80 South Lambeth Road, Vauxhall, SW8** on behalf of General Projects to a logistics company comprising 7,500 sq ft. There remains 14,000 sq ft of outstanding fully fitted and furnished units available to lease. ▶

Imperial House, 8 Kean Steet, WC2



Storybox, 80 South Lambeth Road, Vauxhall, SW8

Headline Market Deals

The largest letting in Q4 was the pre-let of 85,000 sq ft to Creative Artists Agency (CAA) at **21 Bloomsbury Street, WC1** – yet another example of a substantial occupier moving from a fringe location (in this case Hammersmith) into core West End to maximise the workplace experience for both their clients and workforce. Two other notable pre-lets also signed in Q4 were Investcorp securing 25,000 sq ft at the now fully pre-let **25 Baker Street, W1** from Derwent London and The Irish Embassy taking 32,000 sq ft from The Crown Estate at **10 Spring Gardens, SW1**.

What is the Direction of Travel?

It seems likely that the increased activity seen in the market in the H2 24 will continue as we move through 2025. The levels of active demand remain healthy with numerous high-profile searches being launched at the end of 2024. Whilst the level of pipeline stock appears large with just under 6M sq ft currently under construction in the West End due for completion in the next 2 years, just over 40% of this already pre-committed. As a result, occupiers needing to relocate through 2025-26 may find their options increasingly restricted, particularly in the most popular submarkets of the West End which in turn should drive continued rental growth.

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National Investment Market Overview

Alternative Sector

Overview

As we move into 2025, we reflect on what was one of our most active sectors in 2024. Investor demand for alternatives has remained robust over the past year, driven by a preference for assets with long leases and index-linked rent reviews. The living sector, in particular, has experienced renewed interest, with hotel investment transaction volumes reaching their highest levels since 2019. This growth was bolstered by several notable portfolio deals throughout the year, including the LXi Travelodge Portfolio, the Marriott Hotel Portfolio, and the Radisson Edwardian Hotel Portfolio.

As is characteristic of the alternative sector, investor demand is closely tied to consumer demand. Strong trading figures (hotels), an aging population (Later Living – Specialist Care), and increased government funding (nurseries) provide compelling reasons for investment and growth across several subsectors.

Who is Buying?

In Q4, private high-net-worth investors remained highly active, attracted by the more favourable yields offered on longer-dated income compared to previous years. Hotel yields, especially for Premier Inn, are beginning to tighten, cementing its place as the sought after covenant in the subsector. Prime and best-in-class assets continue to draw strong interest from institutional buyers, with hotels ranking high on many investors' priority lists.

There has also been a notable uptick in interest from overseas investors, including both funds and private individuals. These investors are increasingly seeking to shift their capital from volatile markets into the perceived stability of the well-established UK property market.

Who is Selling?

In Q4, sellers included a blend of institutions, developers, and property companies. Motivations for selling ranged from external pressures like redemptions and fund closures to the completion of developments, capital recycling, and portfolio diversification.

Direction of Travel

As we move into 2025, we expect alternative investments to remain highly attractive to investors due to their quality and potential to deliver long-term value. These assets offer opportunities for stable, income-producing investments or support business sustainability for owner-occupiers. In our opinion interest in the sector will continue to grow in 2025, with competitiveness from investors seeking to diversify their real estate portfolios into alternatives only increasing demand.

We expect that investor interest in hotels will persist, driven by their solid operational performance and often secure long leases with branded operators. As a result, we foresee yields gradually tightening, especially for top-tier assets. Investors will be closely monitoring how the budget might influence consumer confidence in the coming months and their disposable income. Should it lead to tighter household spending, we could see a shift in preference from premium hotels to more budget-friendly options, boosting consumer demand, and then subsequently investor interest further in operators like Travelodge and Premier Inn.

The Later Living – Specialist Care sector is set to remain popular, driven by the UK's aging population. Similarly, the children's nursery sector is expected to gain traction as more parents return to work amidst the cost-of-living crisis and the planned increase in childcare benefits in September 2025. However, potential headwinds may arise, with investors closely monitoring the profitability of businesses in these sectors as minimum wage hikes and national insurance increases impact operating margins, particularly given the income levels of their workforce.

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Retail Warehousing

Overview

2024 marked a significant milestone for the retail warehousing sector, recording the **strongest transaction volumes in the past five years**. The market demonstrated remarkable resilience, characterised by high liquidity across all transaction sizes. Notably, the sector's occupational performance was exceptionally strong, with major players like British Land highlighting retail warehousing as a key driver of rental growth within their portfolio

Supply and demand

Take up in **Q4 24 saw one of the largest quarters in retail warehousing ever** and 2024 saw almost record levels of transactional activity. We are going to see stock coming from LandSec who have announced to the market that they will be looking to dispose of their retail warehousing portfolio to recycle capital. They have already brought approximately £220m to the market.

Deals

The market was characterised by significant institutional capital once again, particularly through **large scale portfolio transactions, highlighted by Redevco acquiring a £518M portfolio from Oxford Properties, via M7** and British Land acquiring a £400m portfolio from Brookfield.

Direction of Travel

As we move into 2025, we expect retailers will experience challenges navigating the impacts of the Autumn budget, however we believe occupier demand will remain strong, offsetting potential negative sentiment in the sector. We expect institutional capital to remain the most active buyer in the market, particularly those with Council Pension Fund mandates. **Rental growth will continue through 2025**, with very low vacancy across the market creating a hotly contested occupier market. There is potential for yield compression in the prime market, as investors continue to chase down best-in-class accommodation with limited new supply entering the market.

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Industrial

Overview

Despite wider economic challenges and higher interest rates, returns for industrial property have consistently outperformed other property sectors over the one-, three-, five-, and ten-year horizons. A number of funds and ultra-high net worth individuals have capitalized on this and entered the market over the last quarter, helping boost investment activity and drive competition. Deal momentum slowed down in October following the Labour government's budget; however, a flurry of deals going under offer before Christmas helped to revive trading activity.

Supply and Demand

Take up in Q4 24 fell below the lowest quarterly count since Q1 2020 however overall 2024 recorded the 5th highest year in terms of take up with 27.97M sq ft according to Savills latest Logistics Survey. The 100,000 sq ft + market reached its highest for two years in Q4 24 with 8.3M sqft of units leased. These levels of take up have been driven by demand for Grade A stock in core markets.

Deals

A number of deals transacted in Q4 24, the most notable being **Enfield Distribution Park** purchased by Segro from Shroders for £110M reflecting a NIY of 3.41%. On the single-let side Canada Life sold **Tesco DIRFT** to Sunrise Real Estate for £105M in December reflecting a NIY of 4.24% and Schroders also went under off on **Tesco Thurrock RDC** in December to Valour JV QuadReal, completing in January for £135M reflecting a NIY of 5.22%.

Direction of Travel

As we move into 2025, we expect investors to **continue to be attracted to multi-let reversionary industrial estates** particularly in the south east and London where greater access to reversion exists. Real estate private equity firms who have stood still over the past two years have amassed equity and we anticipate they will contribute to a rising level of investment transactions. The question will be as to where this stock will come from and if vendors will come to terms with the repricing of their assets. We anticipate larger institutions who are under pressure to sell or are over exposed to industrial will be the main pool of vendors.

Another theme that we anticipate will help boost the investment market is the increase in development activity. The past two years has been increasingly difficult for developers due to the rise in construction and debt costs however lowering interest rates and finance costs should lead to a sharpening of exit prices and a surge in the development market which in turn will hopefully lead to more high quality investment products coming to the market.

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Offices

Overview

As we look back on 2024, the office market settled at a total transaction volume of c.£7.3Bn, of which £1.5Bn was attributed to the South East. Whilst volumes remain significantly below the 10-year average, positive tailwinds have been seen with a more evolving market overall.

Strong occupier fundamentals, driven by a return to the office and focus on best-in-class accommodation, have led to strong rental growth across the regional markets. In turn, this has increased prime, core assets once again trading in the market, with a notable increase in the quantity of £20M + assets launched to market. Additionally, there has been a strong appetite for value-added and alternative use opportunities, particularly with the start of 2024 bringing much-needed changes to the permitted development rights.

Who is Buying?

The rebasing in valuations has seen the rise in activity of the private / HNW buyer, in addition to the opportunistic investors looking to acquire assets offering change of use, particularly with the return of PDR. Middle Eastern Investors have continued to target 10-year-plus income, whilst the entrance of the French SCPI investors has been notable. The most active of this investor type are Remake AM and Iroko Zen; however, they have predominantly targeted the national Big 6 markets.

Deal Highlights

UK funds are becoming more acquisitive, particularly for best-in-class assets. A good example would be **The Mint, Edinburgh**, which recently traded for c.£42.5M / 5.78% NIY to Pontadegea. Allsop is aware that both Knight Frank IM (UK Council pot) and Patrizia (German money) were interested before the purchaser locked it down ahead of a bid date. Meanwhile, Schroders acquired **10 Victoria Street, Bristol** for c.£23M / 7.25% NIY at the end of last year. With the launch of the Border to Coast fund managed by Abrdn and CBRE IM's ACCESS fund, both of which are specifically targeting best-in-class stock across all sectors, Allsop fully expects competitive tension to heighten.

Direction of Travel

We expect transaction volumes to rise modestly in 2025 as re-basing across the market continues and with the expectation of greater capital into the sector. However, a word of caution to investors remains: the majority of transactions have been made up of town centre, best-in-class assets, with limited to no cap ex or offering long, secure income, and town/city centre assets that offer repositioning potential.

Meanwhile, the out-of-town occupational market across the key business parks in the South East is seeing take-up gradually improve; again, this is for best-in-class stock, notably evidenced at parks such as **Green Park, Reading**, and **Foundation Park, Maidenhead**. That said, investor sentiment in these types of assets is still very sparse, with a lack of depth to drive competitive tension.

Yields

Prime Regional: 6.75%

Prime South East: 7.00% (Oxford / Cambridge) to 7.50%-7.75% (Established SE markets)

Secondary South East: 10.00% +

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Hotel Update

Overview

Operationally, the past few months have seen continued strong top-line performance in the UK hotel market, with Average Daily Rates (ADR) and RevPAR appearing to now stabilise at a sustainable rate, following the rapid post-covid recovery seen in the previous couple of years.

According to Hotstats, UK hotels occupancy rose from 76.6% to 79.1% year-on-year in November and 70.3% to 71.6% in December, with the London market also seeing an increase, from 79.6% to 82.8% in November and from 78.8% to 81.4% in London . A steady Average Daily Rate helped push up year-on-year RevPar figures for the UK market across both months.

Airport passenger numbers saw an uptick, suggesting international travel has continued its recovery. The US economy is expected to continue to grow strongly under the new presidency, which combined with a strong US dollar, should make tourism more attractive and flow through to positive top-line figures for sub-markets popular with US visitors, particularly London and Edinburgh.

As per our last update, the sector continues to face ongoing cost pressures. While inflation appears to be under control, the industry is still dealing with elevated staffing and utility costs, which are continuing to affect profitability. However, the strong top-line performance continues to offset the cost challenges hoteliers are facing.

Looking ahead, the cost issue has been further intensified by the recent budget, which includes an increase in employer National Insurance Contributions and the National Minimum and National Living Wage in April 2025. While many hotel staff are paid above the minimum wage, this change creates a ripple effect, leading higher-paid employees to negotiate for increased wages in line with their skill sets and responsibilities. UK Hospitality has projected that these measures will result in a 10% increase in employment costs per person. Despite this, stronger operators are expected to mitigate much of this impact through higher RevPar figures, supported by anticipated demand growth.

With regards to Capital Markets, investors are increasingly moving away from ‘traditional sectors’ and toward the living sectors, with hotels taking a leading role. There remains strong demand, especially from institutional investors, for long-let franchises in prime locations. These investments are particularly appealing due to their index-linked rent reviews, strong tenant covenants, and the consistent consumer demand for hotel accommodation.

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Commercial Auction Market

Overview

Most capital markets had hoped and expected 2024 to be a year of increased activity stimulated by falling interest rates.

Whilst rates did fall, the pace was slower than hoped and did not provide the hoped for boost to trade, and volumes ended the year on a par with 2023 at £461M (£462M in 2023). On top of this, the impact of the Budget on growth will take a while to comprehend, and Investors are responding with caution.

MSCI reported a drop of over 12% in the volumes of sales between £1M and £10M so on balance the auction volumes held up well relative to the rest of the market.

This relative over performance in the auction market has been driven by the ever longer marketing periods and higher failure rates in the wider market. As we have reported for some time, Vendors of bigger lots have chosen to use the speed and certainty of the unconditional auction contract more regularly which has led to a significant increase in average lot size across the year, rising to £790,000 from £609,000 in 2023.

This has become a recurring theme, year on year and the increase has been most notably in the last 12 months in London, which has made up 30% of the larger sales, a total of £80.2M increasing from 21% and £53.6M in 2023.

The buyers are happy to compete at auction and the majority of them tell us they are ready and in funds to buy more. ►

Totel Raised to date

£462M

Average Success Rate

85%

Looking Ahead to 2025

The auction buyers are long term investors and will seek out and compete for quality as it comes forward, with cash at the ready as they tell us on a regular basis.

Whilst yields have moved out in the last 24 months the depth of demand for the best assets will ensure that prices strengthen once rates begin to fall, and the timing of that is still not clear.

With higher than anticipated rates investors are also able to secure a risk free return approaching 5% which is tax free for the individual if invested in Gilts. These investors are clearly in cash and as we have seen in a good number of examples, will pay strong prices where they see the opportunity to add value and enhance the asset.

The Budget has made things harder to interpret looking ahead and from April most businesses will be bearing higher wage costs which will have an impact on their growth – not what the Chancellor has said that she wants.

The real impact of the Budgetary changes will of course take many months to come through, and meanwhile the Treasury's most recent monthly compilation of forecasts suggests an average growth this year of 1.3% with the OECD higher at 1.7% which is encouraging.

Perhaps this last point is why the our Auctions continue to see a high level of new entrants at every single auction. 64% of the buyers in our December auction were new to the market. When surveyed, over 70% of these are keen to buy more and place their faith in bricks and mortar.

Therefore, we will continue to see strong demand for the best lots and yield compression will follow as rates soften and the impact of the new Government policy becomes clear and buyers are happy to compete at auction.

Read our 2025 Auction Outlook for full analysis of our market, including 'Buyers' Top Picks' ; 'Who is selling' and Sector Analysis

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Residential Auction Market

Overview

Moving into 2024, we were all eagerly expecting interest rates to be reduced, which ultimately did happen but not as quickly as we would have hoped for – the cuts we've seen have been piecemeal. But after a sluggish 2023 that sign of better times ahead was enough to set the direction of travel.

Why was 2024 such a successful year for Allsop's residential auction?

Total Raised

£611M

Lots Sold

2554

Success Rate

88%

The interest rate cuts seen in 2024 were certainly instrumental in reviving positive sentiment, but because of the gradual nature of the reductions and the caution with which they were applied, they hardly resuscitated the property market. Many of the sellers who chose to dispose of some of their properties last year had some level of debt which had become more expensive to service in a high-interest rate environment, forcing them to part with some of their holdings and recalibrate their portfolios. This resulted in a steady flow of new instructions for the residential auction team and in attractively priced opportunities for interested buyers.

Needless to say, some of the political events of the past year also acted as a powerful catalyst for the increase in selling instructions we saw in 2024. Ahead of the Chancellor's Budget announcement, the market was rife with speculation, and ultimately, some unpopular measures, such as a 2% increase in stamp duty tax on second homes did get introduced, compelling a number of owners to exit their investments. Said speculation had put renewed pressure on those already minded to sell, and **some investors did eventually exit the market and chose the auction route to dispose of their assets because of its reliability, swiftness and ability to achieve the best price**.

We did not, however, witness any examples of portfolio disposals as a direct result of the Budget, so the panic selling claims reported by some national media over the past six months were, in my opinion, exaggerated. The fact that the much-feared capital gains tax hike on second homes never materialised also played a role in limiting the negative impact of the Chancellor's measures on the property market.

What was the overall significance of the new fiscal measures unveiled in October for our market? A net increase in instructions, and, because the measures were not as punitive as some had expected, the residential property sector in 2024 continued to be seen as an attractive investment option by many. ►

Looking Ahead to 2025

The market environment in 2025 should not be too different from 2024. Rates will likely remain on the downward trajectory, but any decreases will be slow and incremental.

With many businesses now facing an additional burden of higher employee national insurance contributions and increases to the minimum wage, some will have no choice but to pass these additional costs onto consumers, which will make it difficult to rein in inflation. How that will impact the Bank of England's monetary policy remains to be seen, but we expect a busy 2025 due to our buyers' willingness and ability to transact in cash and, of course, the fact that we're a nation obsessed with property.

Read our 2025 Auction Outlook for full analysis of our market, including 'Buyers' Top Picks' ; 'Who is selling' and Sector Analysis

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Residential Transactional and Living Markets

Residential Investment

Overview

As we enter 2025, the residential investment market across the UK presents a mixed picture, with both opportunities and challenges on the horizon. While there are positive signs, it's crucial to maintain a balanced perspective on the market's trajectory.

The residential investment sub-sector shows potential for growth, underpinned by several structural factors supporting rental property investments. The persistent need for quality rental accommodation, driven by demographic shifts and affordability issues, continues to be a key driver. However, this optimism is tempered by ongoing economic uncertainties.

We are observing a notable trend where increasing regulation, together with rising costs is gradually reshaping the market landscape. This is leading to a reduction in the number of 'amateur' Buy to Let landlords and the gradual elimination of sub-standard stock. While this creates opportunities for professional investors to step in, it also highlights the increasing complexities of operating in this sector.

Rental growth above inflation is expected to continue in 2025, reflecting the strong demand. However, it is important to note that this growth may not be uniform across all regions and property types. Some areas may see more modest increases or even stagnation, depending on local market conditions.

Regions

Across various regions, we have seen varied levels of market activity for well-priced assets. Gross yields typically range from 7-12%, attracting interest from diverse investor groups. However, the market remains highly selective, with activity very much deal specific. Investors are carefully scrutinising each opportunity based on its individual merits, reflecting a more cautious approach.

The cost of debt remains a significant challenge, throttling the viability of many opportunities. This factor is particularly impactful given the current economic climate and is causing some investors to pause or reassess their strategies.

We also expect to see more asset sales resulting from receivership and/or the administration of residential Buy to Let businesses this year, as the 'delay and pray' chickens of the last 18 months increasingly come home to roost. This may present both opportunities for well-positioned investors and challenges for the broader market, potentially affecting pricing and competition.

London and the South East

In London and the South East, while there has been some renewed interest, particularly for assets ranging from £2M to £40M, the market remains highly competitive and price sensitive. The re-emergence of smaller investors with cash to deploy is a positive sign, but it is balanced by the selective approach of larger players.

Looking Ahead

Looking ahead, while there are reasons for cautious optimism, it is clear that 2025 will be a year of careful navigation for the residential investment market. The sector's resilience will be tested by economic headwinds, changing regulatory landscapes, and evolving investor preferences. Success in this market will likely depend on thorough due diligence, strategic positioning, and the ability to adapt to rapidly changing conditions.

As we progress through the year, we anticipate a market characterised by both opportunities and challenges. The residential investment sector's ability to adapt to these changing market conditions will be crucial in determining its performance and attractiveness to investors in the months ahead.

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Student Housing

Overview

A surge of activity towards the end of 2024 brought the year's total investment volume to circa £3.5Bn, representing a £400M increase compared to 2023. While this reflects a strong performance given the challenging macro-economic environment, investment volumes remain significantly below the five-year average.

Who is buying and selling?

The end of 2024 saw several high-profile transactions, underscoring the sustained interest in the student accommodation sector. Notably, **Goldman Sachs** and **Generation Partners** entered the market with their newly formed joint venture, acquiring two assets in **Birmingham** and **Cardiff** from AIG for £110M. This transaction, encompassing 907 beds, is particularly significant as it marks Goldman's re-entry into the sector, leveraging its substantial historical experience in student accommodation.

Greystar also demonstrated its ongoing confidence in the market with the acquisition of **The Neighbourhood** assets in **Cardiff** and **Exeter** for approximately £60M. These prime regional PBSA assets, comprising 400 beds, reflect a NIY of 5.60% - a strong yield indication of investor demand for well-located regional assets.

Other notable deals include **CDL Hospitality Trust's** acquisition of **Benson Yard, Liverpool** for £41M. Purchased from administration, the 404-bed property achieved a NIY of 6.10%. **Arlington Capital Advisors** completed the sale of their 355-bed **Cambridge** scheme to **Lucy Cavendish College** for £32.5M, while **Empiric Student Property** continued to deploy recently raised capital with the purchase of **Tatton House, Manchester** a 136-bed studio scheme, for £19.75M.

We continue to see activity within the HMO market with private landlords who have owned their portfolios for decades now considering their options for sale. Despite the uncertainty surrounding the impact of the Rental Rights Bill, national HMO operators with institutional capital are keen to grow their existing portfolios.

Direction of Travel and Outlook

The high calibre of investors and new market entrants outlined above for Q4 underscores the confidence in student accommodation investment.

Going forward, the market is evolving, with investors having increasingly diverse investment strategies. While many investors continue to target premium, prime-located assets, there is a more notable shift towards properties at more affordable rental price points alongside rising interest in value-add opportunities.

Despite some initial concerns about rental growth prospects for 2025, the outlook for 2025/26 is positive. Unite Group plc, the UK's largest student accommodation provider with a portfolio of 68,000 beds, has already pre-sold 66% of its beds for the next academic year and anticipates rental growth of 4-5% in 2025/26.

The sector's fundamentals remain robust. Domestic demand is supported by a 2% increase in the UK's 18-year-old population in 2025, while improving trends and a more stable environment in international student recruitment contribute further to the demand pool. Combined with a challenging planning and construction environment limiting the delivery of new beds, the sector is well positioned for rental growth and foreseeable strong occupancy. Consequently, investment volumes in 2025 are projected to surpass 2024 levels, even amid persistent high interest rates.

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Residential Development

Overview

The Development market has seen a slight softening following the positivity experienced in the back end of 2024, largely as a consequence of wider macroeconomic issues post budget. There continues to be a gap between buyers' and sellers' expectations due to finance costs and a lack of confidence in the owner occupier market and capital growth over the next year.

The Permitted Development market remains resilient for the right stock with a number of buildings coming to the market as they work their way through the planning system following the changes 10 months ago. Appetite remains for consented Prior Approvals with developers seeking out lower risk opportunities, quicker delivery and those with lower build costs.

New build development above 18 metres has been significantly impacted by the Gateway requirements relating to fire safety, where long delays are strangling these assets post planning being achieved. It is a further factor in the challenging zone 4 – 6 market where new build high density flatted development has fundamental viability challenges.

The greatest interest continues to focus on the Zone 1 to 3 London markets (locations of £800 - £1,500 per sq ft) and on value-add opportunities, through the increase of massing via Prior Approval, investments with development upside or unconsented planning plays. Developers continue to target Central London, prime located assets and whilst the demand is certainly there, parties are hesitant and waiting for best-in-class assets to come to the market.

Who is buying?

There is still caution around housebuilders and housing associations in the main returning to the London development market. The primary interest is from London developers, SMEs and contractor/developers with a relatively small pool evident for higher density and consented flatted schemes. This reflects the fact that the end sales market is very stagnant and that the Build to Rent market for multifamily in the capital is challenging.

For smaller assets, we are seeing private London developers and development managers with funding being prominent within the market. The Permitted Development target market includes specialists in that space, DMs with institutional funding behind them and private residential developers and investors who will look at holding the assets for rental on PC.

Across the regions, many PLC housebuilders are focusing on replenishing their pipelines, supported by more stable private sales rates and a reduction in land purchases over the past year. Partnerships remain a significant feature of the land market. While activity varies by location, partnerships have often outbid developers for large sites, particularly in secondary and tertiary markets. ►

Who is selling?

Within the regions, vendors have stock to sell with a real mixture of assets being made available in recent months. In Q4 2024, Allsop launched four sites to market from our Leeds office, comprising conversion opportunities in both Leeds and Kidderminster, and edge of city centre sites with positive planning history in Leeds and Salford. These are being offered by private individuals and local developers, with marketing being brought to a close on several sites in Q1 now that interested parties' minds are focused on the year ahead.

In London and the southeast, we are acting for a wide variety of vendors including funds, office investors who are now seeing an exit through permitted development, private families who are opportunistic sellers, charities or education bodies who are rationalising their stock and planning gain specialists who are seeking to exit after extended planning journeys.

Where previously we had seen some distressed activity, it was limited by lenders being unwilling to underwrite any losses on their assets. There has been an increase in pitches and the marketing of assets that are distressed or those consensual sales where the borrower remains in control but with the lenders actively involved.

The types of assets that we are currently marketing include a real mix of higher density consented new build schemes, permitted development opportunities, smaller low rise consented sites and change of use plays for charitable organisations.

Two notable recent launches include an excellently located PD asset in the heart of Chiswick which benefits from prior approval and planning permission for 39 units, and an existing commercial site with residential upside in Aldgate with the City Investment Team which is attracting interest from a range of alternative use providers including student and co-living.

Deal highlights

Development deals are continuing to complete across the North, with the most recent being a 4.55 site in Sheffield, which completed in December 2024 via an unconditional receivership sale to a national housebuilder – providing further evidence of housebuilders replenishing their pipelines. Unconditional sales are certainly viewed favourably by our vendors in the regions, not just on receivership sales, with there being a push to invite unconditional bids across all our assets for sale.

With a London focus, we transacted on The Oswald, Shepherd's Bush which was a part-built scheme for 30 residential units in an excellent location on Shepherd's Bush Road. This attracted a mix of interest including that of prime London developers struggling to find more centrally located assets. The distressed status of the asset attracted considerable attention and we had an excellent response in terms of interest and the number of offers. This sale completed in January 2025.

Direction of Travel

Looking ahead to 2025, downward pressures on land values have eased, with stabilised borrowing costs, slower annual build cost inflation, and more stable housing market conditions. In the short term, the persistent shortage of supply will continue to support development land values albeit we have seen considerable value drops in particular markets. Over the longer term, planning policy reforms introduced by the Government should increase land availability with a particular emphasis on housing and single family investment.

Positivity from a planning perspective has resulted in a number of larger land opportunities coming to market. Buyers' interest in strategic land remains high, with many parties opportunistically targeting grey belt sites to secure future development opportunities following the revisions to the NPPF. Landowners are seeking to capitalise on the changes in planning system and the imposition of updated housing targets.

Flatted developments are still challenging given build cost conditions and sales rates albeit within London, appetite remains for alternative residential uses. There needs to be a remedy to the gateway process which is stifling high density development and exacerbating the challenge in hitting housing targets.

With the changes in PD legislation now approaching the end of its first year we are seeing a steady stream of buildings coming forward. This includes buildings now benefitting from prior approval and speculative offices where the lease lengths and fabric of the buildings lend themselves to conversion. Where previously PD fuelled significant housing delivery, it is clear that the technical challenges around daylighting and fire safety constraints are limiting those assets suitable for conversion.

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The Build to Rent Market

Overview

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

This activity is a further display of confidence in the resilience of the BTR market. The current investment landscape continues to be characterised by a proactive approach from investors and developers to find an investment solution for development opportunities in a challenging environment. This is supplemented with an increasing but still modest number of operational assets coming to the market, particularly first-generation schemes.

Viability for development, particularly in multi-family (MF) remains difficult in a sector that, although showing some maturity, is still very much in the development stage.

Who is Active / Headline Deals

There remains a healthy volume of market activity. Realstar & QuadReal JV have recently acqquired Allegro from LaSalle IM, as a 630 unit MF scheme in Birmingham which has been fully operational since 2019. PLATFORM and Invesco sold a portfolio of five BTR MF schemes in the South East, to LRC Group for £120M. Lloyds Living has agreed to forward fund a 264 unit MF scheme in Stevenage, being delivered by Hill Group. Starlight Investments has forward purchased Flax Place, Leeds, a 300 unit MF scheme being developed by Torsion Group. In the single-family (SF) arena Placefirst and housebuilder Strata have agreed a partnership to deliver 500 SFH homes by 2028. Invesco has agreed to forward fund 99 SFH units in Chelmsford with Hopkins Homes and Greykite has brought a £60M portfolio from Persimmon Homes in partnership with Gatehouse Investment Management.

Direction of Travel

We continue to expect investors prioritising progressed, best quality multi-family assets with strong, experienced development partners. Yields will be robust for best-in-class schemes, with secondary locations more challenging due to (but improving) viability constraints. As inflation continues to stabilise and order books reduce, contractor pricing should be more conducive for development. We expect a higher number of start of sites this year than 2024.

Single Family has seen a number of high profile entrants in the past six months and we expect the capital looking to enter the space to grow significantly in 2025.

In London and strong south-east locations, funding MF NIYs range from 4.00% to 4.50%, with major regional centres at 4.50% to 4.75%. Secondary locations are in the region of 4.75% to 5.00%. Single Family funding NIYs are around 4.25% in the south-east and 4.50% in the prime regions.

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Business Rates

The Non-Domestic Rating (Multipliers and Private Schools) Bill

The recent Autumn Budget introduced some significant changes to Business Rates, some of which require new legislation. The Non-Domestic Rating (Multipliers and Private Schools) Bill is currently progressing through Parliament and is expected to be finalised soon.

This legislation focuses on two key policy areas:

Removal of charitable rate relief from private schools

From 1 April 2025, private schools in England will no longer be eligible for charitable rate relief.

Reduced Uniform Business Rate (UBR) for Retail, Hospitality and Leisure (RHL) properties – 2026-27 onwards

- From April 2026, the Government will introduce a permanently lower UBR for RHL properties with a Rateable Value (RV) below £500,000
- The biggest UBR reduction will apply to properties with an RV under £51,000
- Properties with RV's between £51,000 and £500,000 will receive a smaller UBR reduction.
- The levels of the reduced UBR's will be announced in the 2025 Autumn Budget, taking into account the projected impact of the 2026 Rating Revaluation
- The cost of these cuts will be covered by raising the UBR on properties with an RV of £500,000 or more.

• Potential UBR Changes Under the Draft Legislation

- The Government will have the power to reduce the UBR by up to 20p below the standard rate.
- If the current UBR for small properties (49.9p) remains unchanged in 2026-27, the full 20p reduction would lower it to 29.9p, representing a 40% cut.
- RHL properties with RV's between £51,000 and £500,000 will receive a smaller UBR reduction.
- Conversely, the Government will also have the power to increase the UBR by up to 10p for properties with an RV of £500,000 or more.
- If the current large UBR (55.5p) remains unchanged in 2026-27, a full 10p increase would raise it to 65.5p, representing an 18% rise in business rates. This increase is expected to apply to all properties with a 2026 RV of £500,000 or more. ►

Who Will Be Affected?

The majority of RHL properties are set to benefit from this permanent cut in the UBR.

Although the UBR increase will be payable, as intended, by the online retail giants on their distribution warehouses there will be a wide range of other property types which will also be liable for a rates increase of up to 18% such as Universities and Hospitals. In addition, many of the large anchor retail stores who help drive footfall to the High Street will be faced with having to pay the rates increase to support the implementation of lower rates bills for other, often competing, retailers. In certain high value retail locations such as London's Oxford Street potentially up to 50% of the shop units will be liable for an 18% rates increase.

The Government has not yet confirmed the exact eligibility criteria for classification as an RHL property.

2025-26 Retail Rates Relief cut to 40%

2025-26 will be the final year of the retail rates relief scheme which has been in place since 2020-21. The relief in 2025-26 is being cut from the previous level of 75% to 40%. Many businesses have become reliant on this relief and a significant number of ratepayers will see a dramatic increase in their 2025-26 rate liability.

2026 Rating Revaluation

The Government's Valuation Office are currently preparing for the 2026 Rating Revaluation which will take place on 1 April 2026. This will place new Rateable Values on every property based on rental levels prevailing on 1 April 2024. The draft 2026 Rateable Values will be released towards the end of the year.

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Residential Lettings and Management

The Build to Rent – Operational Market

Overview

Data shows that Buy-to-Let (BtL) landlords are exiting the market, with up to a quarter of tenants at Allsop SFH sites coming from rental properties that are being sold. The tightening supply of rental properties, coupled with the security provided by institutional landlords, is fuelling demand for SFH homes. As a result, **SFH schemes are stabilizing at 98% occupancy**—well beyond what was previously seen as the "glass ceiling" for rental properties in these areas.

Who is Active / Headline Deals

Market sentiment is clearly strong, with Kennedy Wilson most recently completing their schemes in Norwich and Stevenage. Looking ahead, **Allsop anticipates launching an additional 12 SFH communities over the next 12 months** in partnership with Packaged Living, Kennedy Wilson, SavillsIM, and Urban and Civic. The confidence investors have in the sector is unmistakable.

In terms of multi-family projects, Allsop launched two sites in Leeds during the prior quarter—**Phoenix and Radiant**. We also took handover of our second operational asset in **Liverpool, Milliners Yard**, on behalf of Columbia Threadneedle.

Additionally, Allsop has recently secured new management instructions from Round Hill Capital for their 488-unit scheme in **Manchester** and from CDL for their 375-unit, 51-storey tower. **These larger developments represent a subtle shift in market dynamics, with investors increasingly valuing the economies of scale that large buildings can bring to the Build to Rent (GtN) sector.**

Direction of Travel

What was once seen as a temporary measure in response to market conditions is now being recognized as a viable, long-term profit centre for single-family housing. **Many national housebuilders are increasingly viewing SFH as a strategic avenue**, with institutional investment complementing open market sales and, in some cases, broader affordable housing options. For institutional investors, SFH has become a swift and efficient means of deploying capital and building a portfolio.

In the BtR sector, we are starting to see a growing number of first- and second-generation assets enter the market. **Allsop will continue to monitor the performance of these schemes, particularly with a focus on how early-generation assets with single-stair core designs perform in terms of both tenant demand and operational efficiency.**

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