

# MARKETBEAT INVESTMENT

AUGUST 2025

Better never settles



## TURN UP THE VOLUME?

Q2 saw approximately £10 billion transact, meaning that we are now running at just over £27 billion for the first half of the year, in line with the same period last year but 7% down on the ten-year H1 average. On a rolling annual basis, we are running at £55 billion.

Investment continues to be driven by overseas capital, particularly from Asia and the Middle East – while the amount of capital deployed from the US slowed marginally during the quarter, against a backdrop of tariffs and trade wars.

Yields remain by and large stable, with the only monthly movement across prime supermarkets which saw yields come in 10 basis points.

Total returns for the quarter totalled 1.4% for the quarter, meaning that we are now running at positive total returns for the sixth consecutive quarter, bringing annual total returns to 6.7%. However, there continues to be a difference among sectors, with supermarkets the strongest performing sector during the quarter – at 2.5%, with industrial and all retail matched at 1.8%. At the other end of the spectrum Rest of UK offices came in at 0.2%, with South East offices at -0.1%.

We are still seeing performance driven by income, with capital values increasing by just 0.2% during the quarter – albeit the positive news is that with just 29% of assets seeing a fall in value, this was the lowest proportion of asset value falls seen since June 2022. While the interest rate decision is positive news, there remains a question mark on the trajectory going forward, which will continue to create uncertainty on business planning.

For more information, including on the interest rate decision see our *Economy and Housing Marketbeat*.



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## KEY TAKEAWAYS



Q2 investment volumes totalled just £10 billion, bringing H1 volumes to £27.4 billion. This was in line with H1 2024. In context of the last ten years, volumes were higher than 2016, 2020 and 2023.



MSCI Total Returns totalled 1.4% for the quarter, and are up positive for the sixth consecutive quarter. Annual Total Returns are currently running at 6.7%.



According to our Prime Yield coverage, there was only mover – prime supermarkets which came in slightly. The sector was also the star performer across the MSCI Quarterly Index.



The MPC voted to cut the base rate to 4%, with a hawkish short-term view on inflation, and the prospects for short-term GDP growth.



There remains significant market volatility, impacting investor sentiment.



**Martin Lay**  
Head of London Offices Capital Markets  
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CENTRAL LONDON OFFICES

**Market Trends** – Q2 2025 reported £2.05 billion transacted – the second highest quarterly volume of the last two years – with a further three major deals completing in July. Although activity remains down on long term levels, a positive volume of stock has come to market with £3 billion of available stock and a further £3 billion under offer. This suggests that volumes are likely to continue to push up over the second half of the year.

**Dynamics** – Continued lack of stock on the market constrained activity across the market over the last 12 months. However, several vendors are now bringing stock to market including REITs who are particularly active on the seller side. These assets have broadly been received positively by the market, with several placed under offer with optimism of these transactions completing over H2 2025.

**Outlook** – Prime yield compression of 25 bps for both the City and West End to 5.50% and 3.75% respectively in Q2 reflects a shift in the market. While there remain downside risks from global trade and political pressures plus possible changes in domestic policy on banning upward only rent reviews, these are likely to be offset by further base rate cuts anticipated over 2025. Combined with the strong occupational market, volumes are expected to increase further over the medium term.

BAROMETER DEAL



**Francis House, Victoria SW1**  
Yield – 4.9% NIY  
Price – c. £55m  
Status – Sold  
Comments – Grade A freehold office. Let to Edelman for 13 years subject to a break after 8 years. Purchased by Colliers Capital



**Jeremy Beckett**  
Head of National Offices Capital Markets  
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REGIONAL OFFICES

**Market Trends** – Investment volumes across the regional markets reached £426.3 million in Q2 2025, marking a 43.4% increase from the decade-low recorded in Q1. However, this figure still remained 55.7% below the five-year quarterly average, indicating that investment activity is still recovering from a subdued baseline.

**Dynamics** – Whilst there is a growing tranche of opportunistic buyers that are looking for distressed assets, investor focus in regional markets predominantly remains firmly on best-in-class assets. For the second quarter running, Melford Capital completed the largest acquisition of the quarter with its £75 million purchase of 101 Embankment in Salford (edge of Manchester), following the Q1 purchase of EQ in central Bristol. UK institutional investors have been net sellers in the regional office market this year, with US private equity also scaling back its presence, albeit with pockets of activity. Instead, other overseas investors, particularly from Israel and French SCPIs, currently dominate the market.

**Outlook** – While anticipated rate cuts are expected to boost investor appetite, the quantum of activity is likely to be tempered by a limited level of stock coming to the market. Focus is expected to stay on the Big Six regional cities, particularly as supply continues to tighten and the development pipeline remains constrained in the near term. Deeper interest in the sector is being driven by a combination of strengthening returns, rental growth for the best product in core locations, and improving return to office data. This has not yet translated into stronger pricing.

BAROMETER DEAL



**101 Embankment, Manchester, M3**  
Yield – 8.59%  
Capital Value - £425 psf  
Status – Sold  
Comments – Melford Capital continued to expand its regional office portfolio with Manchester’s largest office deal since Q4 2023.



**Rory MacGregor**  
Partner, Life Sciences  
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LIFE SCIENCES

**Market Trends** – The only transaction recorded in the Golden Triangle during Q2 2025 was the sale of the Whitechapel Life Sciences Centre by the Department of Health and Social Care to Queen Mary University of London for an undisclosed price. Currently, just one further deal is under offer in the Golden Triangle. Albion Land is in discussions with a confidential buyer regarding the sale of Catalyst Bicester, with a quoted price of £55 million and a quoted yield of 5.50%.

**Dynamics** - The anticipated development pipeline, alongside a period of slower occupier take-up, has encouraged a more selective approach from investors. We are observing a polarisation emerging in investor appetite between prime and non-prime assets, with the definition of prime becoming more focused, taking into account factors such as microlocation, quality of tenant and ecosystem.

**Outlook** – Whilst the recent divergence in investor sentiment has not yet led to yield compression in the prime assets, we anticipate this positive sentiment to drive a premium for quality in the short term, although this will need to be supported with more evidence. It remains unclear whether anticipated rate cuts will provide meaningful stimulus amid broader geopolitical and macroeconomic uncertainty, coupled with a continued tentative occupier demand story in the Golden Triangle. With many investors holding sizable development pipelines, the short- to medium-term focus is likely to remain on delivering these projects.

BAROMETER DEAL



**Catalyst Bicester, Oxford**  
Yield – Q.5.50%  
Capital Value – Q.£304 psf  
Status – Under offer  
Comments – Albion Land under offer from confidential buyer for the Catalyst Bicester, an automotive and mobility R&D campus.





**Ed Cornwell**  
International Partner, UK Logistics & Industrial Capital Markets  
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LOGISTICS & INDUSTRIAL

**Market trends** – Investment during H1 2025 totalled £2.6bn representing a 17% reduction versus the first half of 2024. Despite volumes remaining muted, a minor improvement was recorded during the second quarter with volumes improving 27% on what had been the quietest quarter since the outbreak of the covid-19 pandemic.

**Dynamics** – Whilst the occupational market appears to have now stabilised, capital markets continue to grapple with ongoing macroeconomic uncertainty, swinging sentiment, and bond market volatility. Such challenges have driven a wide spread in forecasting assumptions, particularly with regard to rental growth and exit yield assumptions. The result has been two-fold, with both a reduction in suitable investment product and a fluctuating gap between purchaser and vendor aspirations, with deals becoming more drawn out and subject to extensive deliberation. Despite these short-term challenges, a wide pool of capital remains focussed on the sector, attracted by the resilience of the occupational market and strong / stable returns.

**Outlook** – Continued improvement within the occupational market will continue to attract investor interest for the sector. We expect an improvement in the level of supply which is likely to encourage liquidity, galvanise sentiment, and improve investment volumes.

BAROMETER DEAL



**Bedford Commercial Park, Bedford**  
Yield – 4.9%  
Pricing – c. £100 million  
Status – Completed  
Comments – Grade A Logistics Park bought by Sunrise



**Marcus Wood**  
International Partner, UK Retail & Leisure Capital Markets  
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RETAIL & LEISURE

**Market trends** – Total investment into the retail sector, and its component subsectors totaled £2.8bn during H1 2025. This represents an increase of 12% versus H1 2024. Recovery has been driven by increased activity in both the retail park and food store segment, whilst shopping center volumes have remained robust rising from a low base.

**Dynamics** – The combination of strong occupier market fundamentals, and an increasing pool of evidence supporting rising asset prices are driving sustained interest in the sector. As a result institutional investors are continuing to increase their allocations to retail, reversing pre-pandemic trends. Moreover, improving attitudes towards lending into the sector is encouraging higher levels of liquidity for larger lot sizes. There is also a notable improvement in the pricing of regional and sub regional shopping center markets. Limited best in class supply continues to hold back a wide pool of demand. For some best-in-class locations, rationalization programmes and returning units present an opportunity for asset managers to deliver rental growth.

**Outlook** - Limited investment grade supply may continue to limit volumes for prime investment grade assets. However, activity is expected to improve from September onwards, following a quiet summer period. The August interest rate cut will continue to support occupier market conditions and reduce lending costs, encouraging liquidity.

BAROMETER DEAL



**Sears Retail Park, Solihull**  
Yield – 5.91%  
Pricing - £70.5 million  
Status – Completed  
Comments – Aberdeen purchased from Starwood



**Ed Fitch**  
Head of Hospitality UK&I  
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HOTELS

**Market trends** - Volumes for 2025 so far are at £1.6bn which is roughly 60% below the same time last year, due to a lack of large portfolio transactions, which characterised 2024 results. There is, however, significant stock available in London expected to transact this year, boosting single asset volumes.

**Dynamics** - Private equity continues to be interested in the sector, but there is a lack of suitable stock matching both scale and return requirements. With a lack of a largescale portfolio accumulator, the private market is dominating the regional single asset landscape.

**Outlook** – There is appetite in the market from buyers, particularly for London and Edinburgh. However, the benefits of increasing debt liquidity and competitive financing are partially offset by concerns on income growth, particularly given government-imposed cost increases, acting as a brake on deal velocity.

BAROMETER DEAL



**Hoxton Southwark**  
Yield – c. 6%  
Price – £150 million  
Status – Sold  
Comments – Attractive asset due to diversified revenue streams.



**Peter Farnes**  
Head of Healthcare Investment  
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HEALTHCARE

**Market Trends** – To date, transaction volumes have reached £1.7bn which includes the de listing Care REIT. Volumes are ahead of H1 2024. The market as it stands is dominated by healthcare specialists and involves larger transactions than previous, with the average lot size increasing from c.£19m to c.£24m.

**Dynamics** – The market continues to remain polarised with the specialist investors still looking for those best-in-class assets. There are some new entrants to the market looking at higher yield properties with a refurbishment and capex play, with both US and European investors being involved. A lot of the larger deals in the market are happening behind closed doors, with investors buying entire operational businesses. Despite that we are seeing some single assets and portfolios let to the like of Care and MHA coming to market and trading.

**Outlook** – There’s a positive outlook to the market, and we will continue to see specialist investor activity with the pension funds returning to the market. Alongside this, the higher yield assets will be picked up by new entrants to the market, particularly those in the US.

BAROMETER DEAL



**Project Vista, Royal Leamington Spa**  
Yield – TBC  
Price – TBC  
Status – U/O  
Comments – Index Linked care home investment.



**James Dunne**  
Head of Living  
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BUILD TO RENT

**Market Trends** – In Q2, over £0.9bn of capital was invested, taking total capital deployed in H1 2025 to £1.9bn. Although this marks a 17% decline compared to last year, it highlights continued growth in SFH, which has shown a marked increase in activity over the past quarters. In the first half of 2025, almost £870 million was invested into SFH, making up 45% of the total deal volumes, up from 38% over the same period last year.

**Dynamics** – Despite well known challenges, development continues to be the main entry point, comprising over half of this year’s transactions and signalling sustained confidence in the sector’s long-term fundamentals. SFH remains popular but there is potential over saturation in some areas of the North East. There is significant appetite for more affordable rental products (small a), particularly where there isn’t any multifamily stock yet. Co-Living has been on everyone’s lips for the last few months, with investors looking to expand out of London and showing increased interest in smaller schemes.

**Outlook** – The outlook for the remainder of the year remains strong, with a significant pipeline of transactions anticipated, most notably L&Q’s £1.1 billion BTR portfolio. This wave of investment highlights the continued and growing appetite for exposure to professionally managed, purpose-built rental housing although the Renters Reform Bill and Gateway 2 requirements are still having an impact on the market.

BAROMETER DEAL



**Barratt Redrow portfolio**  
Yield – P&C  
Price – c.£50 million  
Status – Sold  
Comments – Lloyds Living’s forward-purchase of a 598-home portfolio from Barratt Redrow.



**Russell Hefferan**  
Head of Student Investment  
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PBSA

**Market Trends** – Around £1 billion invested so far this year, which is below the five-year average. However, there are currently a lot of portfolios in the market, with about £1.75 billion under offer. Potentially another £3 billion has been quietly marketed or actively marketed for quite a considerable amount of time with technical due diligence being one of the main things slowing down deal activity.

**Dynamics** – Investor attention is increasingly centred on value-add opportunities and improvements to building fabric, including decarbonisation, ESG enhancements, and fire safety remediation. Affordability challenges and regional supply–demand imbalances remain priority considerations for most. Notable transactions this quarter: Spinnaker’s exchange on Ropemaker Court; Activum’s acquisition of a portfolio from 90 North for around £75m including secondary assets in Exeter, Leicester and Edinburgh; and agents called for final bids on Limelight, a new Liverpool scheme (c.£56m / 5.75%).

**Outlook**– The outlook for the PBSA sector is more optimistic than last year, underpinned by a stronger occupational market and more realistic rental growth assumptions. Increased stock availability and diverse capital sources continue to support momentum. Similar to BTR, Renters Reform Bill and Gateway 2 requirements continue to remain an issue.

BAROMETER DEAL

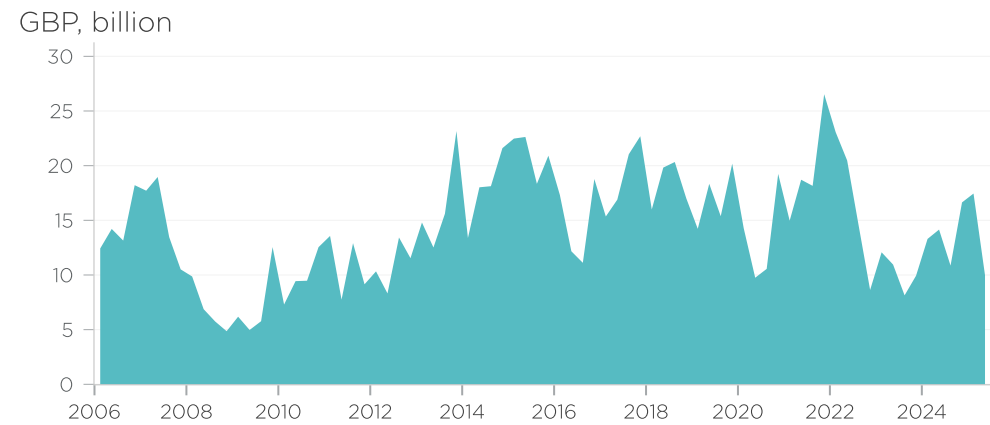


**Ropemaker Court, Manchester**  
Yield – 5.70%  
Price - £42 million  
Status – Sold  
Comments – Highly convenient access to University of Manchester.  
*Image Source: Manchester Metropolitan University*

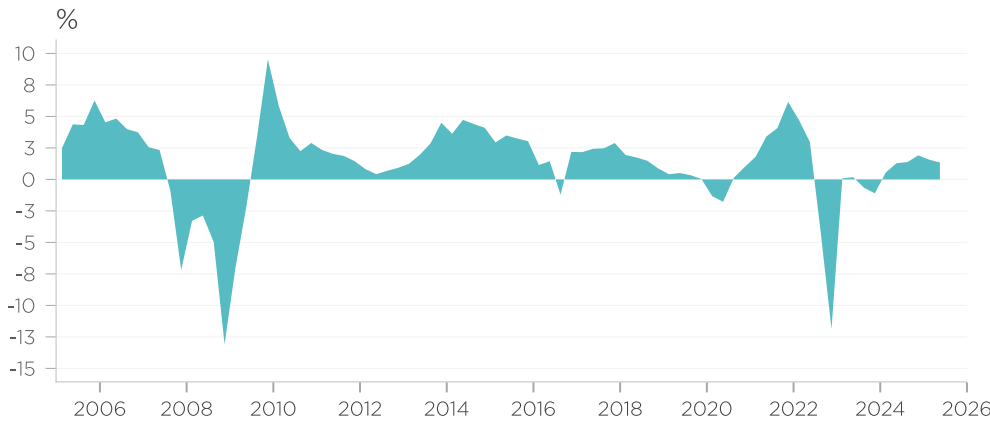
MARKET STATISTICS

Source: MSCI, Chatham Financial, Bank of England, Macrobond, Cushman & Wakefield

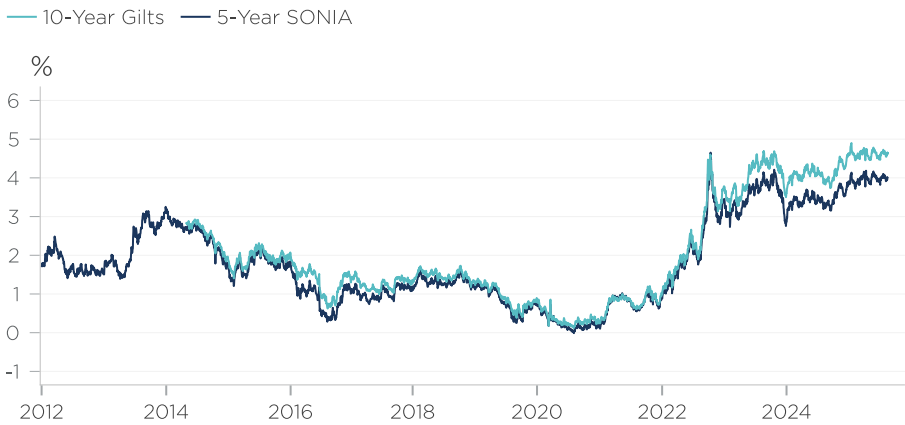
QUARTERLY INVESTMENT VOLUMES (BILLIONS)



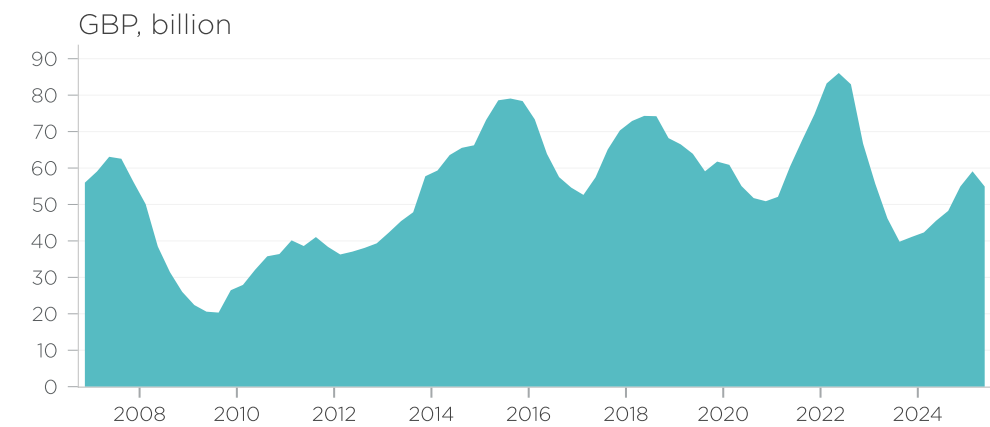
TOTAL RETURNS (%)



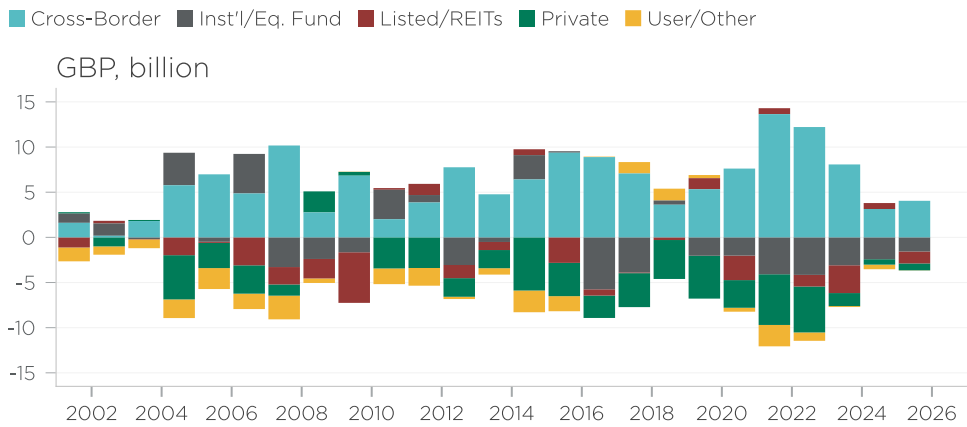
10 YEAR GILTS, 5 YEAR SONIA



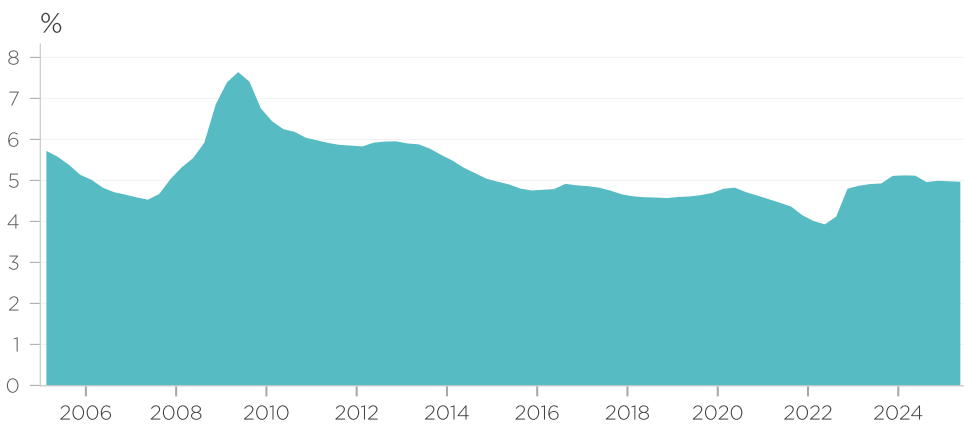
ROLLING ANNUAL INVESTMENT VOLUME (BILLIONS)



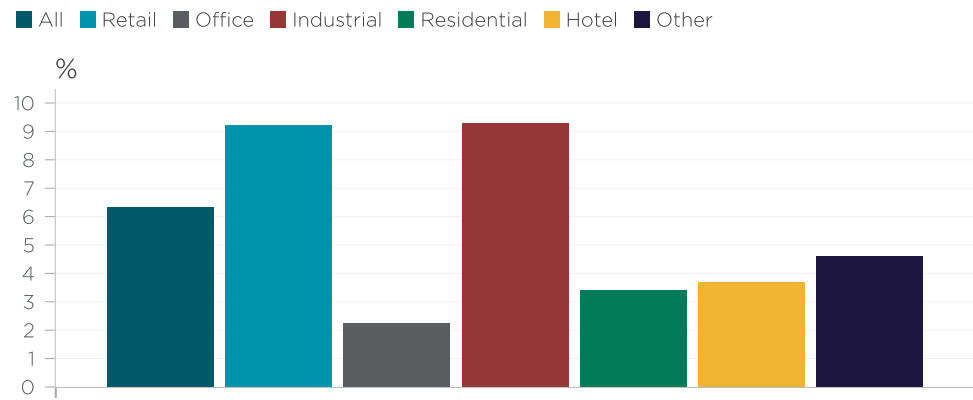
SOURCES OF CAPITAL



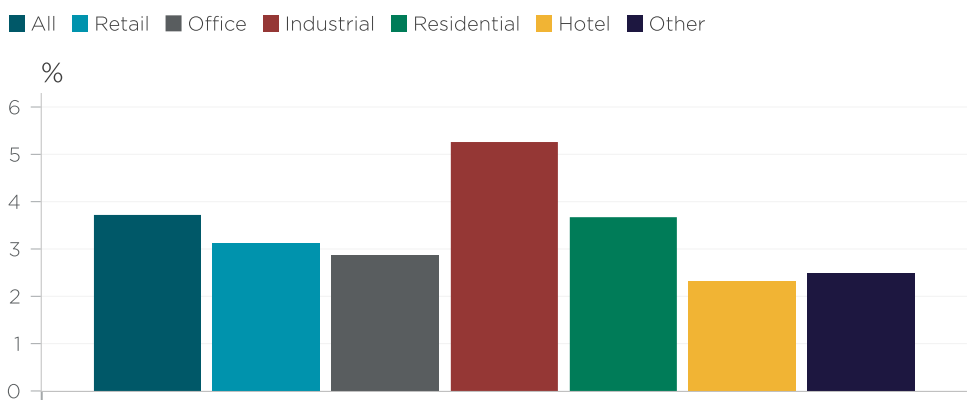
NET INITIAL YIELDS



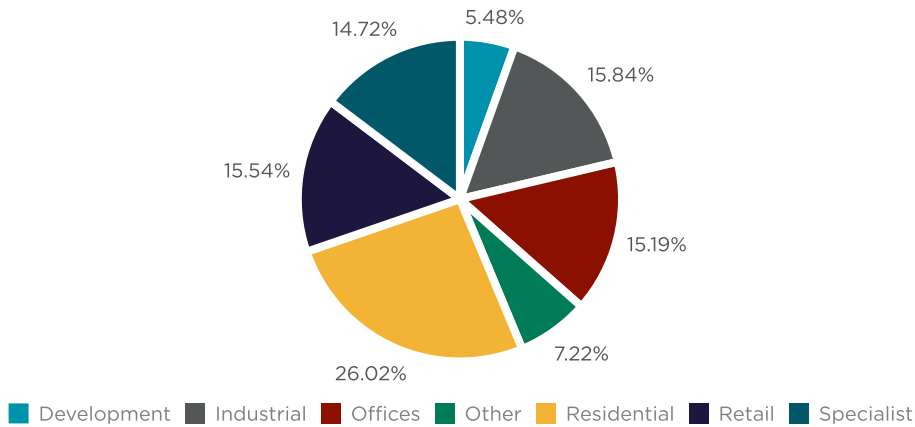
ANNUAL TOTAL RETURN BY SECTOR



ANNUAL AVERAGE RENTAL GROWTH BY SECTOR



ANNUAL INVESTMENT VOLUMES BY SECTOR





YIELD SCHEDULE

Sector	Previous Year	Previous Quarter	Previous month	Present	Annual Change (bps)	Quarterly Change (bps)	Monthly Change (bps)	
Sector	August 24	Q2 25	July 25	August 25		Q-to-Q		Outlook
Town Centre Retail								
Prime Retail Centres	7.00%	6.50%	6.50%	6.50%	-50 bps	-25 bps	0 bps	Stable
Secondary Retail Centres	10.50%	10.00%	10.00%	10.00%	-50 bps	0 bps	0 bps	Stable
Prime London - West End	3.00%	3.00%	3.00%	3.00%	0 bps	0 bps	0 bps	Stable
Shopping Centres								
Regional	8.00%	7.75%	7.75%	7.75%	-25 bps	0 bps	0 bps	Stable
Sub-Regional	11.00%	11.00%	11.00%	11.00%	0 bps	0 bps	0 bps	Stable
Local	12.00%	12.00%	12.00%	12.00%	0 bps	0 bps	0 bps	Stable
Retail Warehouses (Greater London and SE in brackets)								
Prime Open A1 Retail Park	5.75%	5.25%	5.25%	5.25%	-25 bps	0 bps	0 bps	Stable
Prime Bulky Park	6.25%	5.75%	5.75%	5.75%	-25 bps	0 bps	0 bps	Stable
Prime Supermarkets (RPI linked)	5.00%	4.75%	4.75%	4.65%	-35 bps	0 bps	-10 bps	Inwards
Prime Solus (Bulky)	6.50%	5.75%	5.75%	5.75%	-50 bps	0 bps	0 bps	Stable
Prime Leisure Parks	8.75%	8.25%	8.25%	8.25%	-50 bps	0 bps	0 bps	Stable
Multi-Let Industrial								
Prime Greater London	4.75%	4.75%	4.75%	4.75%	0 bps	0 bps	0 bps	Stable
Prime South East	5.00%	5.00%	5.00%	5.00%	0 bps	0 bps	0 bps	Stable
Prime Regional	5.25%	5.25%	5.25%	5.25%	0 bps	0 bps	0 bps	Stable
Distribution Warehousing								
Prime Long Income	5.00%	5.00%	5.00%	5.00%	0 bps	0 bps	0 bps	Stable
Prime Medium Income	5.50%	5.50%	5.50%	5.50%	0 bps	0 bps	0 bps	Stable
Prime Short Income	6.00%	5.75%	5.75%	5.75%	-25 bps	0 bps	0 bps	Stable
In Town Offices								
Greater London	7.00%	6.75%	6.75%	6.75%	0 bps	0 bps	0 bps	Stable
Prime City Offices	5.75%	5.50%	5.50%	5.50%	-25 bps	-25 bps	0 bps	Stable
Prime West End Offices	4.00%	3.75%	3.75%	3.75%	-25 bps	-25 bps	0 bps	Stable
Prime M25	7.25%	7.00%	7.00%	7.00%	-25 bps	0 bps	0 bps	Stable
Prime Regional	7.00%	6.50%	6.50%	6.50%	-25 bps	0 bps	0 bps	Stable
Out of Town Offices								
Prime South East	8.25%	8.00%	8.00%	8.00%	-25 bps	0 bps	0 bps	Stable
Prime Regional	9.25%	9.00%	9.00%	9.00%	-25 bps	0 bps	0 bps	Stable

Sector	Previous Year	Previous Quarter	Previous month	Present	Annual Change (bps)	Quarterly Change (bps)	Monthly Change (bps)	
Sector	August 24	Q2 25	July 25	August 25		Q-to-Q		Outlook
Co-living								
Greater London	4.75%	4.50%	4.50%	4.50%	-25 bps	0 bps	0 bps	Stable
Prime Regional	5.75%	5.00%	5.00%	5.00%	-75 bps	0 bps	0 bps	Stable
Build to Rent								
Prime London - West End	4.00%	4.00%	4.00%	4.00%	0 bps	0 bps	0 bps	Stable
Greater London	4.50%	4.50%	4.50%	4.50%	0 bps	0 bps	0 bps	Stable
Prime Regional	4.75%	4.75%	4.75%	4.75%	0 bps	0 bps	0 bps	Stable
Hotels								
Prime London Fixed Income	4.50%	4.25%	4.25%	4.25%	-25 bps	0 bps	0 bps	Stable
Prime Regional Fixed Income	5.25%	5.00%	5.00%	5.00%	-25 bps	0 bps	0 bps	Stable
Prime London Trading	5.00%	5.00%	5.00%	5.00%	0 bps	0 bps	0 bps	Stable
Prime Regional Tradting	8.00%	8.00%	8.00%	8.00%	0 bps	0 bps	0 bps	Stable
Life Sciences								
Golden Triangle	5.00%	5.00%	5.00%	5.00%	0 bps	0 bps	0 bps	Inwards
Regional Centres	6.25%	6.25%	6.25%	6.25%	0 bps	0 bps	0 bps	Stable
Care Homes								
Prime	4.75%	4.75%	4.75%	4.75%	0 bps	0 bps	0 bps	Stable
Prime SPV	5.75%	5.75%	5.75%	5.75%	0 bps	0 bps	0 bps	Stable
Medical								
Prime	4.50%	4.50%	4.50%	4.50%	0 bps	0 bps	0 bps	Stable
Secondary	5.75%	5.75%	5.75%	5.75%	0 bps	0 bps	0 bps	Stable
Student Accommodation								
Prime London	4.00%	4.00%	4.00%	4.00%	0 bps	0 bps	0 bps	Stable
Greater London	4.75%	4.75%	4.75%	4.75%	0 bps	0 bps	0 bps	Stable
Super Prime Regional	5.25%	5.25%	5.25%	5.25%	0 bps	0 bps	0 bps	Stable
Prime Regional	5.50%	5.50%	5.50%	5.50%	0 bps	0 bps	0 bps	Stable
Self Storage								
Primary	4.75%	4.75%	4.75%	4.75%	0 bps	0 bps	0 bps	Stable
Secondary	6.00%	6.00%	6.00%	6.00%	0 bps	0 bps	0 bps	Stable





# MARKETBEAT INVESTMENT

## AUGUST 2025

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