QuotedData's Real Estate Roundup

March 2025

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Monthly roundup | Real estate

Winners and losers in February

Best performing funds in price terms

	(%)
IWG	15.8
Schroder REIT	11.2
Assura Group	10.3
Urban Logistics REIT	5.5
Supermarket Income REIT	4.7
Value & Indexed Property	4.3
First Property Group	4.0
PRS REIT	4.0
Helical	3.3
Warehouse REIT	2.5

Source: Bloomberg, Marten & Co

Worst performing funds in price terms

	(%)
NewRiver REIT	(9.8)
Care REIT	(8.4)
Harworth Group	(8.0)
Workspace Group	(8.0)
Grit Real Estate Income Group	(7.1)
Custodian Property Income REIT	(6.4)
Derwent London	(6.2)
Great Portland Estates	(5.2)
Regional REIT	(4.9)
Ground Rents Income Fund	(4.6)

Source: Bloomberg, Marten & Co

Macroeconomic uncertainty continues to weigh on the performance of the listed real estate sector, as the potential for a slower than anticipated interest rate cutting cycle grows with inflationary pressures expected from both domestic and international policy. The sector was down 1.7% on average in February, despite a raft of positive results indicating a turn in the valuation outlook (see page 2). Flexible workspace behemoth IWG saw impressive gains during the month and is now up just over 25% in 2025. Schroder REIT returned to positive territory having fallen in January, after posting a quarterly NAV uplift (see page 2). Over 12 months, its share price has risen almost 25%. Assura's share price increased off the back of news of a bid for the company (see page 3 for details), while PRS REIT's shares continue to make gains as a sale of the company moves a step closer (see page 3). Urban Logistics REIT's positive start to 2025 continued after it reported a flurry of letting deals (see page 4). Its share price is up 12.9% in the year to date. Shareholders responded positively to Value & Indexed Property announcing a move to the UK REIT regime that it expects will boost its dividend and liquidity in its shares.

There was an eclectic mix of property companies whose share price returns over February made the list of worst performing, reflecting investors' broad-brush attitude towards the sector. Retail specialist NewRiver REIT lost almost 10% in value during the month, even after reporting the successful integration of the Capital & Regional portfolio and a strong Christmas trading period. Care home provider Care REIT also saw a sizable fall in its share price despite strong occupational drivers giving it confidence to up its dividend target for 2025. Another company to report a positive trading update but frustratingly end the month in negative territory was Custodian Property Income REIT. Weak economic growth may be weighing on the London office developers. However, they are bullish about the core market given the complete lack of supply and robust demand for best-in-class offices. Regional REIT's struggles continue after reporting a further write down in the value of its portfolio, with its share price now down 17.7% over 12 months. Having seen its share price bounce following a number of bids for the company, Ground Rents Income Fund fell back 4.6% in February after its suitor stepped away from talks.

Valuation moves

Company	Sector	NAV move (%)	Period	Comments
Schroder REIT	Diversified	2.5	Quarter to 31 Dec 24	Value of portfolio rose 1.5% to £473.9m
Target Healthcare REIT	Healthcare	0.9	Quarter to 31 Dec 24	Like-for-like valuation increase of 0.6% to £924.7m
Custodian Property Income REIT	Diversified	0.9	Quarter to 31 Dec 24	Portfolio value up 0.5% on like-for-like basis to £586.4m
Alternative Income REIT	Diversified	0.8	Quarter to 31 Dec 24	Portfolio valuation increase of 0.6% to £106.2m
Grit Real Estate Income Group	Rest of world	(12.4)	Half year to 31 Dec 24	Portfolio value dropped 2.3%. NAV fall mainly due to increased finance costs
Unite Group	Student accom.	5.7	Full year to 31 Dec 24	4.8% like-for-like portfolio valuation increase to £6.0bn
Shaftesbury Capital	Retail	5.2	Full year to 31 Dec 24	Portfolio valuation increased by 4.5% on a like-for-like basis to £5.0bn
Tritax Big Box REIT	Logistics	4.7	Full year to 31 Dec 24	Portfolio value of £6.55bn, up 3.7% on like-for-like basis
Derwent London	Offices	0.6	Full year to 31 Dec 24	Portfolio valuation growth of 0.2% in 2024 to £5.0bn
SEGRO	Logistics	0.0	Full year to 31 Dec 24	Portfolio value increased 1.1% to £17.8bn
Primary Health Properties	Healthcare	(2.8)	Full year to 31 Dec 24	Investment portfolio valuation down 1.4% to £2.75bn
Hammerson	Retail	(27.2)	Full year to 31 Dec 24	Valuations stable, NAV fall due to sale of outlet village business at a substantial loss

Source: Marten & Co

Corporate activity in January

Assura Group rejected a bid for the company from a consortium comprising Universities Superannuation Scheme (USS) and US private equity giant KKR valuing it at £1.562bn. The most recent proposal at 48.0p per share was a 28.2% premium to the share price, but a 2.8% discount to its last reported NAV. USS has backed away from any further potential offers, while KKR said it was considering a further bid. It has until 14 March to announce its intentions.

An activist investment company – Achilles – was launched, raising £54m from investors. Its focus will be on companies in the property, infrastructure, and renewables sector, where it aims to work with boards to realise value for shareholders. It is managed by Harwood Capital Management and led by its chief executive Chris Mills, with Robert Naylor on the board of directors. The pair worked together to achieve an exit for investors at Hipgnosis Songs Fund and more recently is working with PRS REIT on a strategic review.

The sale of PRS REIT moved a step closer, with the board announcing that it has received several non-binding proposals to acquire the company. The majority of these proposals were pitched within a price range representing a premium to the current share price and a discount to the latest published NAV. The board said that it intends to invite a subsection of parties to enter into a due diligence process, which is expected to be completed no later than March 2025.

Home REIT received a number of non-binding offers for the full portfolio from “credible parties” that have been selected to proceed to the next stage of the process. It had put its portfolio of 862 properties up for sale seeking £175m

A firm offer for Ground Rents Income Fund did not materialise after the board rejected several approaches from Victoria Property and time lapsed on the offer period. GRIO said it was fully committed to implementing the realisation strategy approved by shareholder in November 2024.

Helical and its joint venture partner Transport for London entered into a development financing arrangement with HSBC to provide £125m to fund the construction of 10 King William Street, the over-station development at Bank underground station, in the City of London.

Warehouse REIT agreed to change its investment management agreement, with the basis of its fee calculation switching from NAV to the lower of NAV and market capitalisation, effective from 1 April 2025. This would result in an annual saving of around £2.1m and a boost in earnings of 0.5p per share. There will be a transition period to this new fee arrangement, with the fee in the first financial year only (ending 31 March 2026) being subject to a floor of no lower than 70% of EPRA NAV.

February’s major news stories – from our website

- **Supermarket Income REIT grows French portfolio with Carrefour acquisitions**

Supermarket Income REIT has acquired nine Carrefour supermarkets in France for €36.7m and sold a Tesco store in the UK for £63.5m. The company now has 26 Carrefour stores in France, representing around 5% of its gross assets.

- **Primary Health Properties grows Irish exposure €22m**

Primary Health Properties acquired a health & wellbeing clinic with urgent care and diagnostic facilities in Cork, Ireland, for €22m, at a yield of 7.1%. The company’s portfolio in Ireland now represents 9% of the total portfolio.

- **Urban Logistics REIT makes significant letting headway**

In a lettings update, Urban Logistics REIT announced that it completed new lettings on five units, totalling 301,000 sq ft of space and £3.0m of annual rent, since 30 September 2024. Portfolio vacancy reduced from 8.1% to 6.2%.

- **Great Portland Estates makes premium lettings**

Great Portland Estates made four new lettings for ‘fully managed’ office space at its Piccadilly Estate, in London’s West End. The space was let 13.7% ahead of ERV, securing £1.6m of annual rent at an average of £240 per sq ft, representing a net premium of 98% to traditional leases.

- **Sirius Real Estate buys in Germany and the UK**

Sirius Real Estate acquired a business park in Reinsberg in Saxony, Germany, for €20.4m and a 6% net initial yield, and the Earl Mill business park in Oldham, for £5.7m and net initial yield of 13.9%.

- **Schroder European REIT gets Seville shopping centre off its books**

Schroder European REIT sold its 50% interest in a distressed shopping centre in Seville, Spain. The asset had been marked down in SERE’s book at nil value and the sale reflects this, with the outstanding debt transferring to the purchaser. This strengthens the company’s balance sheet by reducing its net loan-to-value (LTV) ratio from 25% to 21%.

- **Life Science REIT lets lab space at Cambourne**

Life Science REIT let 17,200 sq ft at Building 1020 at its Cambourne Park Science & Technology Campus in Cambridge, to 42 Technology Limited, a product design and innovation consultancy. The company signed a 10-year lease, and is paying a rent of £25.50 per sq ft, ahead of the June 2024 ERV.

- **Henry Boot wins planning battle for Kent scheme**

Henry Boot secured outline planning permission on appeal for 112 homes on a freehold site in Yalding, Maidstone, Kent, after a lengthy planning battle with the local council.

Visit https://www.QuotedData.com for more on these and other stories plus analysis, comparison tools and basic information, key documents and regulatory announcements on every real estate company quoted in London

Managers’ views

A collation of recent insights on real estate sectors taken from the comments made by chairmen and investment managers of real estate companies – have a read and make your own minds up. Please remember that nothing in this note is designed to encourage you to buy or sell any of the companies mentioned.

Logistics

Tritax Big Box REIT

Colin Godfrey, chief executive:

Shifting consumer behaviour, evolving supply chains and a corporate drive for sustainability are underpinning demand for high-quality, mission critical, modern logistics real estate and data centre facilities.

Consumer demand for an ever faster and more convenient purchasing/returns experience is driving e-commerce and the omnichannel retail network evolution. This includes network consolidation and realignment, and a shift to larger, high-quality, modern buildings that help lower the cost to serve. Meanwhile, our increasingly digital world is driving greater demand for data centres to house burgeoning cloud and AI demand.

For occupiers navigating a fast-moving and often volatile market environment, resilience is now a priority, alongside optimising for efficiency, productivity and cost. This has translated into solutions such as holding higher stock volumes and a focus on supply chain visibility and technology adoption/automation.

Building performance, clean energy and fleet transition are top of mind for many occupiers, as they look to enhance the sustainability of their operations and meet more stringent regulatory and stakeholder requirements. Meanwhile, the need to attract and retain skilled labour (in a tight employment market) has seen a focus on the provision of a better working environment, including onsite amenities.

Combined, these drivers mean that not only is location and access to skilled labour vital, but provision and resilience of power supply is increasingly in focus as energy needs increase.

Big box logistics transaction activity totalled £3.1bn in 2024, with a further £4.9bn of multi-let and urban deals. Significant pools of global capital continue to look to access the market. Two of the largest deals completed late in the year were, for example, by new entrants to the UK logistics sector.

Prime market pricing for logistics buildings remains at 5.25%. Deal activity has continued to evidence market pricing with a significant pool of prospective purchasers for high-quality, prime product.

Investor interest in the sector remains high with prospective purchasers underwriting further rental growth on top of repriced yields. As a result, logistics pricing continues to look attractive despite ongoing uncertainty in global capital markets. The composition of returns also continues to appeal to investors with ongoing rental growth underpinning the scope for further income growth. Moreover, many buildings continue to have reversionary potential given the healthy market rental growth that leases often fail to capture fully during their term.

London remains the largest data centre market in Europe with 1,141MW in operation across an estimated 135 data centres. 2024 take up in London totalled 116MW which exceeded new supply (65MW) for the third consecutive year. Strong demand and low availability have resulted in rental rates increasing. Providers are, however, having to develop data centres in areas further afield to meet growing demand given the severe land and power constraints that exist in London.

With the same planning designation as logistics buildings, data centres have become an additional source of demand, further constraining the supply of land for logistics real estate. Furthermore, in September 2024, UK data centres were designated as Critical National Infrastructure: strengthening industry resilience, regulatory support and reinforcing the UK as an attractive destination for data centre users.

SEGRO

David Sleath, chief executive:

Inflation falling back towards central bank targets and initial interest rate cuts helped liquidity return to investment markets during 2024 and there continues to be good investor appetite for industrial and logistics assets.

This has led to higher investment volumes and has helped yields to stabilise. Prime yields in the UK were flat during 2024 (CBRE prime yield remained at 5.25 per cent throughout the year) and although there was some small further outward yield shift in certain European markets in the first six months of the year, most markets were stable in the second half of the year. (CBRE prime yield France +15 basis points and Germany +10 basis points, all in the first six months of 2024).

Finance costs remain elevated which means most debt-backed buyers have been active in the higher yielding end of the market. This has resulted in less capital chasing lower yielding, prime assets. Investors have been selective, focusing on assets in the best locations with the highest sustainability credentials and where there is reversionary potential that can be captured quickly.

The outlook for yield and asset valuations is notoriously hard to forecast. The recent 'higher rates for longer' narrative has so far not had a discernible impact on investment market liquidity. However, as active portfolio managers, we do not rely on yield compression but aim to create value across the property cycle through asset and portfolio management and driving rental growth.

Healthcare

Primary Health Properties

Harry Hyman, chair:

The commercial property market continues to be impacted by economic turbulence and the uncertainty of interest rates continues to weigh on the real estate sector. The UK budget and rising debt levels along with the US election continue to pose ongoing risks and create added uncertainty.

We believe healthcare, and in particular primary care real estate, remains a structurally supported sector and benefits from the demographic tailwinds of a population that is growing, ageing and suffering from increased chronic illnesses, which is placing a greater burden on healthcare systems in both the UK and Ireland, which in turn compounds the need for both fit for purpose and additional space. However, future developments will now need a significant shift of between 20% to 30% in rental values to make them economically viable. We continue to actively engage with the NHS, ICB and DV for higher rent settlements. Despite these negotiations typically becoming protracted, we are starting to see positive movement in some locations where the health system's need for investment in new buildings is strongest such as our recent development at South Kilburn, London.

Primary care asset values have continued to perform well relative to mainstream commercial property due to recognition of the security of their government backed income, crucial role in providing sustainable healthcare infrastructure and more importantly a stronger rental growth outlook enabling attractive reversion over the course of long leases.

In the first half of 2024, the continued lack of recent transactions in the period resulted in valuers continuing to place reliance primarily on sentiment to arrive at fair values. However, in the second half of the year there has been a small pool of transactional evidence, with a limited number of purchasers in the market, including distressed asset sales, which have enabled valuers to have regard to these comparables with lesser reliance on market sentiment. Yields adopted by the Group's valuers have moved out by 17bps in the year to 5.22% as at 31 December 2024 (31 December 2023: 5.05%).

We believe further significant reductions in primary care values are likely to be limited and we have now reached an inflexion point with a stronger rental growth outlook offsetting the impact of any further yield expansion.

We have also seen significant real estate sector consolidation in the UK over the last few years where poor structures and investment strategies have resulted in material share price discounts to net asset values. As a result, we believe that there are further opportunities for consolidation, with investors increasingly focused on larger, more scalable and efficient cost structures.

Offices

Derwent London

Paul Williams, chief executive:

London is a leading global city which continuously adapts and evolves. With unrivalled international connectivity and world-leading universities, it is Europe's tech and innovation hub attracting more venture capital investment than any other European city. Appealing to talent across a variety of sectors, it supports a highly skilled workforce. It is a city with all the elements for a promising and strong future: ongoing growth in office-based jobs, GDP expected to maintain its outperformance, and an enduring competitive advantage which appeals to a broad range of businesses. We are excited about the outlook for London and the office sector despite the volatile macroeconomic environment.

The importance of the office is widely endorsed by companies across sectors, as they place increasing emphasis on ensuring their talent is primarily in the workplace. High quality, well-located space across a broadening variety of price points is being prioritised, which aligns well with our portfolio.

London's occupational market was strong in 2024, with take-up in line with longer term levels and active demand rising significantly in the year. At the same time, the vacancy rate for high quality London offices is very low and the medium-term development pipeline is constrained. In 2024, we delivered another successful leasing performance and portfolio ERV growth more than doubled year on year to 4.3%, the highest level since 2016. We expect this positive activity to continue.

The investment market was subdued last year. Sentiment improved in the first half, with inflation and long-term interest rates reducing, optimism leading up to the General Election and UK GDP forecasts being revised upwards. However, Q4 saw a reversal in sentiment as concerns around growth and inflation re-emerged.

In spite of this, and in line with our guidance, property yields stabilised, following two years of substantial outward movement. Investment activity is expected to increase in 2025, with a rise in the number of assets being brought to the market and more investors looking to invest in the sector.

Retail

Shaftesbury Capital

Ian Hawksworth, chief executive:

London and particularly our West End portfolio continues to display its enduring appeal as a leading global destination, with international arrivals now ahead of 2019 levels. Vacancy rates, not only in our portfolio but across prime West End retail units continue to reduce and are also back in line with pre pandemic levels creating competitive tension for prime space. Footfall has been consistently high, with the Elizabeth Line enhancing transport connectivity for visitors, shoppers, workers and tourists alike. Despite the well-documented macro-economic uncertainty, the West End continues to perform. Footfall is high, with continued customer sales growth, limited vacancy and a strong leasing pipeline.

Student accommodation

Unite Group

Joe lister, chief executive:

Many university cities are facing housing shortages, and our investment activity is focused on those markets with the most acute need. Over half of students who need term-time accommodation live in HMOs where many private landlords are choosing to leave the sector due to rising mortgage costs and increasing regulation. In some markets, delivery of Build-to-Rent accommodation is partially mitigating reduced availability of HMO stock, albeit at higher price points.

New supply of PBSA is also down 60% on pre-pandemic levels, reflecting viability challenges created by higher costs of construction and funding as well as planning backlogs and time required to secure Building Safety Act approvals. Weekly rents now need to be at least £200 for new PBSA development outside of London to be viable, meaning there is little prospect of new supply in many markets.

We expect obsolescence of older university accommodation to further impact supply, with 5,000-10,000 beds being removed from the market each year due to building age and the need to operate buildings more sustainably.

The combination of these factors has significantly increased demand for our accommodation in many cities. Our strong, established relationships with universities position us as a long-term partner to help solve their housing needs. The Government has also set ambitious targets for new housing, and we will play our part in delivering new student accommodation which frees up local housing for families.

International student demand is improving for 2025 after the disruption created by changes to visa policy in early 2024. Visas granted to students were down 14% in 2024 as a result of this policy change and uncertainty created by the review of post-study visa policy ahead of the UK general election. The new government has been vocal in its support of international students coming to the UK, recognising the value they bring to the UK and its universities, and we are not expecting any further visa changes in the near term. Recruitment data is encouraging, with indications of a 14% increase in the intake for January 2025 and a 3% increase in international applicants for the 2025/26 academic year, with 9% growth from China.

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