



QuotedData's Real Estate Roundup

June
2025

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Monthly roundup | Real estate

Winners and losers in May



Best performing funds in price terms

(%)

Hammerson	12.0
Real Estate Investors	10.2
Urban Logistics REIT	9.8
Great Portland Estates	9.2
Shaftesbury Capital	8.3
Land Securities	6.8
Supermarket Income REIT	5.8
Empiric Student Property	5.7
TR Property Investment Trust	5.7
Value & Indexed Property Income	5.4

Source: Bloomberg, Marten & Co



Worst performing funds in price terms

(%)

Warehouse REIT	(6.9)
Workspace Group	(6.2)
Life Science REIT	(5.0)
Residential Secure Income	(4.8)
Harworth Group	(4.6)
Regional REIT	(4.4)
Phoenix Spree Deutschland	(3.8)
Henry Boot	(2.3)
Macau Property Opportunities	(2.0)
Social Housing REIT	(2.0)

Source: Bloomberg, Marten & Co

Having performed strongly over recent volatile months, real estate share prices were more muted in May with a median uplift of 1.8%. Retail specialist **Hammerson** led the way with a double-digit rise as its turnaround strategy nears a successful conclusion. **Urban Logistics REIT** received a recommended offer by LondonMetric (see page 3) that sent its share price up further. It is leading the way among the listed real estate sector this year, up 56.1%. **Great Portland Estates** reported a promising set of results that point to the substantial upside on offer for London office developers amid supportive market dynamics. Investors are still backing **Shaftesbury Capital**, owner of a large chunk of London's West End including Covent Garden, after it sold a quarter stake in its portfolio at book value back in April. In the last three months the company's share price is up 19.0%. Takeover rumours swirling around **Empiric Student Property** may have been behind its share price performance in May. Post month-end, the company announced it was in talks with Unite over its acquisition.

Warehouse REIT retrenched on the news that Blackstone had lowered its offer for the company following concerns uncovered in due diligence (see page 3 for details). **Workspace Group** published a profit warning for the year ahead as vacancy, associated costs, and macroeconomic pressure builds up. **Life Science REIT** gave back some of its recent gains resulting from the launch of a strategic review into its future earlier this year, which is anticipated to result in its sale. Meanwhile, **Residential Secure Income** and **Phoenix Spree Deutschland** both remain in wind down mode, with shares continuing to be volatile through the portfolio realisation process. **Regional REIT**'s share price fell despite reporting a stabilisation in values. Progress in its asset disposal programme remains slow, however (see page 4). **Social Housing REIT**'s share price came off slightly in May, having seen encouraging growth since the appointment of a new management team at the start of the year. This is despite the company upping its dividend target for the coming year.



Valuation moves

Company	Sector	NAV move (%)	Period	Comments
Custodian Property Income REIT	Diversified	1.8	Quarter to 31 Mar 25	Portfolio value uplift of 1.12% on a like-for-like during the quarter to £594.4m
Alternative Income REIT	Diversified	1.3	Quarter to 31 Mar 25	Portfolio valuation rose 0.8% to £107.0m
Target Healthcare REIT	Healthcare	0.3	Quarter to 31 Mar 25	Like-for-like portfolio valuation increase of 0.3% to £930.0m
AEW UK REIT	Diversified	0.1	Quarter to 31 Mar 25	1.4% like-for-like portfolio valuation increase for the quarter to £204.6m
Grainger	Residential	0.7	Half-year to 31 Mar 25	Portfolio value increased by 0.8% over the six-month period to £3,678m
Helical	Offices	5.1	Full year to 31 Mar 25	5.8% valuation uplift overall, with developments up 29.1% and investments up 0.6%
Great Portland Estates	Offices	4.4	Full year to 31 Mar 25	Portfolio valuation of £2,869m, up 3.6% on like-for-like basis
Picton Property	Diversified	4.2	Full year to 31 Mar 25	3.8% like-for-like increase in property valuation to £723m
LondonMetric	Logistics	3.9	Full year to 31 Mar 25	Portfolio valuation increased 2.5% to £6,115m
Land Securities	Diversified	1.7	Full year to 31 Mar 25	Valuation of its portfolio was up 1.1% to £10,880m
British Land	Diversified	0.9	Full year to 31 Mar 25	Portfolio valuation up 1.6% to £9,486m

Source: Marten & Co

Corporate activity in May



Warehouse REIT recommended a revised cash offer for the company from Blackstone. Under the deal, shareholders would receive 110.6p per share, including the 1.6p dividend paid in April. Blackstone had previously submitted a cash proposal of 115p per share in March, but following due diligence raised concerns over asset valuations – specifically regarding Warehouse REIT's development at Radway Green. The revised proposal, which values Warehouse at £470m, was considered by a committee of independent directors which has now recommended the firm offer from Blackstone. The revised offer is a 34.2% premium to the closing price per Warehouse share of 82.4p on 28 February 2025 (the last day prior to the offer period), but a 13.4% discount to its NAV of 128.0p at 31 March 2025. Shareholders will vote on the offer (expected to be held in July) which, if approved, is expected to become effective during the final quarter of 2025.

Primary Health Properties made a counter bid for Assura that values the company at £1.68bn. The shares and cash offer would see Assura shareholders receive 0.3769 new PHP shares and 12.5p in cash. Based on the PHP closing share price at the time, the offer implied a total value of 51.7p and around £1.68bn. This was a 4.7% premium to the cash offer of 49.4p made by KKR and Stonepeak Partners. Assura's board withdrew its support for the KKR bid and was considering both options.

LondonMetric and Urban Logistics REIT reached agreement on the terms of a recommended cash and share offer in which LondonMetric would acquire Urban Logistics for £698.9m. Each Urban Logistics share will be entitled to receive 0.5612 new LondonMetric shares and 42.8p in cash. This valued each Urban Logistics share at 150.3p, which represented a 21.8% premium to Urban Logistics share price before the proposed offer was made and a 3% discount to NAV. Shareholders will vote on the offer on 20 June.

Derwent London announced the pricing of a senior unsecured bond issue for £250m and a term of seven years. The bonds will bear interest at a rate of 5.25%, reflecting a credit spread of 105bps, and are expected to be rated A- by Fitch Ratings. The net proceeds will initially be used to repay amounts drawn under the group's revolving credit facilities and to refinance near-term debt maturities. Proceeds will also be deployed into its development pipeline.

Supermarket Income REIT completed a £90m refinancing through a new unsecured debt facility with Barclays. The facility refinanced the company's existing secured debt facilities with Wells Fargo and Bayerische Landesbank of £30m and £55.4m respectively, that were due to mature in the next 12 months. The new facility is interest-only and has a maturity of three years, with two one-year extension options at the lender's discretion, and is priced at a margin of 1.55% above SONIA. The company says that it intends to use the value of the existing interest rate hedges on the refinanced Wells Fargo and Bayerische Landesbank facilities to cap the interest rate on the new facility at 5.0% for the three-year term, at no additional cost to the company.

Picton Property refinanced its £50m revolving credit facility (RCF) with NatWest, ahead of the facility's original maturity in May 2025. The new agreement runs for an initial three-year term, with two optional one-year extensions. Interest is charged at 165bps above SONIA for the first £25m drawn, rising to 170bps thereafter. A commitment fee of 40% of the margin applies to undrawn amounts. The remainder of Picton's debt, totalling £210m, is fully fixed at an average interest rate of 3.7%, with the earliest maturity not due until 2031.





May's major news stories – from our website

- **Hammerson ups Brent Cross stake with £186m deal**

Hammerson increased its ownership of north London shopping centre Brent Cross to 97%, with a £186m acquisition of abrdn UK Shopping Centre Trust's (SCUT) stake. It bought the stake at a 16% discount to book value at 31 December 2024 and a net initial yield of 8.6%.

- **Tritax Big Box REIT closes in on hyperscaler letting for data centre development**

Tritax Big Box REIT said it was in discussions with several potential pre-let occupiers including hyperscalers and co-locators for its data centre development near Heathrow. Planning consent for the 107 MW data centre development at Manor Farm, west London, is expected by the end of 2025.

- **Great Portland Estates sells Whitechapel hotel**

Great Portland Estates exchanged contracts to sell Challenger House hotel, in Whitechapel, London, together with a plot of undeveloped land, for £42.0m, marginally ahead of book value, to Yoomata Aldgate Property.

- **Sirius Real Estate swaps mature asset for value-add opportunity**

Sirius Real Estate announced two new transactions in Germany totalling €43m – selling a business park in Pfungstadt, near Frankfurt, for €30m – a 9% premium to book value and a 6.8% net initial yield, and acquiring a multi-let business park in Lübeck for €12.67m at a 7.9% net initial yield.

- **LondonMetric continues non-core sell-off**

LondonMetric Property sold £61.8m of non-core and mature assets in separate transactions at a blended net initial yield (NIY) of 6.1%. The assets sold were previously acquired through corporate acquisitions. The sales were made in line with prevailing book values and are 10% above their allocated price at the time of purchase.

- **Great Portland Estates secures West End pre-let**

Great Portland Estates secured a major development pre-let for the entirety of the office space (62,500 sq ft) at 30 Duke Street, in St James's, London, to global investment firm CD&R. The lease is for a 15-year term without break and the rent ahead of March 2025 ERV.

- **Custodian Property Income REIT disposes two offices**

Custodian Property Income REIT sold two office buildings in Cheadle for an aggregate £6.9m. 5500 Lakeside, which is 66% let, was sold for £4.0m in line with the 31 December 2024 valuation, while the disposal of Wienerberger House, which is fully let, was achieved at a 10% premium to the valuation.

- **Regional REIT updates on disposal programme**

Regional REIT updated on its disposal programme, stating that 40 assets were on the block worth around £106.2m. One was contracted for sale, three under offer, and a further five in negotiation with buyers. The company has a further 19 on the market worth £41.7m, while a further 12 potential disposals totalling £44.5m are being prepared for the market.

- **Schroder European REIT re-signs Hornbach on a 12-year deal**

Schroder European REIT agreed a 12-year lease regear with DIY specialist Hornbach, at its Berlin investment. At 11%, Hornbach is the second largest tenant in the company's portfolio by income. The triple net lease is subject to indexation and has been agreed ahead of the 31 December 2024 estimated rental value (ERV).

- **Picton Property secures planning for London office-to-residential scheme**

Picton Property secured consent under permitted development rights for a rooftop residential scheme at 50 Farringdon Road, London EC1. The fourth storey extension will add 13 flats to the existing office building.

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.

Residential

Grainger

Helen Gordon, chief executive:

The UK Labour government is proving its commitment to supporting economic growth and investment, specifically by stimulating new housing delivery. We are heavily engaged in positive dialogue with policy makers and there is clear, strong support for build-to-rent (BTR), recognising the important contribution businesses like Grainger can make to the UK housing market. Proposals to improve and speed up the planning process are welcome, as are proposals to strengthen recognition for BTR within the planning system.

The Renters' Rights Bill, entering its final stages of debate and scrutiny in the House of Lords, will professionalise the rental market and raise standards, something that Grainger has been forging the way forward for many years. Grainger, in the main, is already aligned to the new legislative landscape with our focus on high management standards, good quality customer service and high-quality, energy efficient properties. We are very well positioned to continue to perform strongly. That said, it is likely that many smaller, private individual landlords will find the new regime challenging and will therefore accelerate their exit from the market, further constraining supply.

Clarity on the Renters' Rights Bill, a resolute commitment from government opposing rent controls, and support from government for growing the BTR sector means Grainger is in a strong position to continue to grow.

Diversified

Land Securities

Mark Allan, chief executive:

In major retail, the top 1% of all shopping destinations in the UK provide brands with access to 30% of all in-store retail spend. As close to 90% of our retail assets are in this top 1%, brands continue to invest in space with us, focussing on 'fewer, bigger, better' stores in the best locations. Any pressure on brands' margins from increased NI costs or wider economic uncertainty will likely sharpen this focus further and put more pressure on the tail-end of brands' store portfolios. As our occupancy is now higher than it was before Covid, we expect rental value growth this year to be around similar levels as last year.

In London, office utilisation across our portfolio continues to grow and customers are now planning for c. 25% more space per person than five years ago, with c. 80% of our lettings over the past year having seen customers grow or keep the same space. In the near future, new supply across London is modest, so we expect our rental values this year to continue to grow at a broadly similar rate as they did last year. This also bodes well for our two committed developments, Thirty High and Timber Square, where we expect to see first pre-let activity in the second half of this year, in line with our underwrite assumptions.

Meanwhile, in residential, we have created a £3bn development opportunity to build scale in a sector with strong structural growth characteristics, attractive real returns and much lower volatility. The attractive long-term prospects in this space should enhance our sustainable income and EPS growth over time.

The trends that have supported our strong operational performance over the past few years remain intact, even though the global economic outlook has become more uncertain in recent months as a result of shifting US trade policy. We are mindful of the disruption this can cause but, as a purely UK focused business with an existing customer base that is primarily focused

on successful omnichannel retail brands, professional services and financial services and a development pipeline which is increasingly focused on residential, we are not seeing any impact on customer demand or financial performance.

In investment markets, we continue to see a steady pick-up in activity across the UK and increasingly in London offices, albeit from a low base. The outlook for long-term interest rates is more relevant than the outlook for base rates, but for assets where there is an opportunity to drive income growth in the coming years, such as our best-in-class portfolio, there appears to be a growing understanding amongst investors that real returns look attractive relative to real interest rates. Absent any major economic shocks, we expect this will continue to underpin valuations for such assets as investment activity recovers further.

Picton Property

Michael Morris, chief executive:

Political decisions are influencing the economic backdrop. The US government's tariff announcement in April caused significant disruption in financial markets and downgrades to economic growth forecasts globally. The situation remains fluid, with the 90-day implementation delay and the more recent announcement of a temporary tariff reduction between the US and China resulting in an equity market recovery.

For the UK, exports to the US account for a relatively small percentage of overall Gross Domestic Product (GDP). Certain industries are likely to face direct challenges, while indirect effects may arise from weakened global demand and heightened trade uncertainty. On a relatively positive note, if the tariffs are enforced following the 90-day delay, the 10% rate on most UK goods is comparatively lower than what has been suggested for many other nations.

In 2024, UK GDP is estimated to have grown by 1.1%, placing the UK third in the ranking of G7 economies. This compares to the 0.4% recorded for 2023. With mounting concerns over US tariffs, public borrowing and fiscal rules, in the Spring both the Office for Budget Responsibility and the Bank of England halved their GDP growth forecasts for 2025.

Since August 2024, inflation has remained close to the Bank of England's 2% target, with the annual Consumer Prices Index (CPI) standing at 2.6% in March 2025. The Bank of England began its rate-cutting cycle in August, implementing four 25 basis point reductions, which have brought the base rate down to 4.25%. The five-year SONIA swap rate has decreased to 3.8%, compared to around 4% a year ago. In January, concerns over public finances and the UK's economic trajectory led to a sharp rise in the ten-year gilt yield, which surged to a post-Global Financial Crisis high of 4.9%. It has since fallen slightly, but remains above the ten-year average.

Businesses are contending with uncertainty as well as escalating costs, as the tax increases announced in the October budget took effect in April, potentially impacting expansion and hiring decisions. Recent data from the Office for National Statistics recorded a further softening in employment; in March payrolled employees decreased by 78,000 (0.3%) on the month to 30.3 million. The number of job vacancies fell for the thirty-third consecutive quarter to 781,000. The unemployment rate is now 4.4%, in line with the ten-year average.

The consistent increases in the household savings ratio since September 2022 reflect the impact of underlying economic uncertainty felt by consumers. Recent retail sales data has been more positive than expected, although thought to be attributable to unseasonably good weather. The April GfK Consumer Confidence Barometer recorded declines across all measures compared to the previous month, indicating that this level of consumer spending growth may not last. However, in real terms, wages continue to show a steady increase; for the three months to February, regular and total pay grew by 1.9%.

Whilst the situation with US tariffs continues to evolve, the outcome could have a disinflationary effect on the UK, potentially prompting a faster reduction in the base rate than anticipated. Furthermore, unlike other recent market shocks, the tariffs are a voluntary measure and could be reversed as quickly as they were announced.

With inflation no longer a pressing concern, the Bank of England's decision to lower interest rates now depends more on economic growth forecasts and labour market data.

The UK's high level of market transparency, coupled with comparative stability, low inflation and interest rates, continues to make it an attractive market for global investors, and well placed to capitalise on any positive momentum during a recovery in commercial property pricing.

Logistics

LondonMetric

Andrew Jones, chief executive:

The global economic outlook has changed significantly over recent months and continues to set the scene for the investment market. The US president's 'Liberation Day' tariffs have created significant volatility in the global bond and equity markets as investors have looked to assess the longer-term impact of deglobalisation and increased protectionism. How this plays out is too difficult to predict, particularly with ongoing uncertainty from elevated inflation and geopolitical events, but lower growth is an inevitable outcome and a widespread global economic slowdown is being assumed by the markets.

For the UK, there are material risks to economic growth and a range of potential outcomes for inflation. The impact of recent rises in utility prices, national insurance costs, national living wage and above trend wage growth continues to add to inflation pressures that have persisted for several years. However, there is also potential for a disinflationary impact from tariffs from factors such as weaker commodity prices, lower input costs and a stronger currency.

For the UK consumer, what particularly matters is the impact of all this on future interest and mortgage rates. After hitting an inflexion point during the year and having been cut four times since, a further decline in interest rates is widely expected which could provide some cheer to the UK consumer; the same can't be said for the US consumer.

Interest rates remain the yardstick against which most investments are measured. Consequently, sentiment in the real estate sector continues to be largely driven by the outlook for five-year swap rates and 10-year gilts. Unsurprisingly, after a recalibration of valuations over the last few years and with five-year swap rates now nearer 375bps compared to over 400bps a year ago, sentiment has improved and valuations have moved upwards across most real estate sectors.

Total UK real estate investment activity was over £50bn in 2024, a 23% increase on 2023. This increased level of activity has continued into the first quarter of 2025 with £15bn of transactions, reflecting a 75% increase year on year. There has been healthy activity across the 'winning' sectors, as well as growing popularity for warehouse assets; both distribution and retail. There have also been signs of activity in the London office and shopping centre markets, albeit at prices materially below previous valuations which reflects motivated vendors, falling rental values, growing capex requirements and expanded yields. However, the 'traditional' sectors accounted for only 46% of all investment activity in 2024, which is the lowest on record, and a number of high-profile office and shopping centre transactions have been pulled as bids received did not meet sellers' inflated expectations.

We continue to see significant capital sit patiently on the sidelines awaiting greater macroeconomic and geopolitical clarity. With current swap rates continuing to rule out many debt funded buyers, we are seeing the greatest liquidity for smaller lots sizes. Our view remains that normal liquidity won't return until five-year swap rates fall closer to 300bps to derive an all in cost of debt of c.5%, a level that allows most debt led real estate transactions to work; we're a lot closer but still not close enough.

We have also seen further sector consolidation and managed liquidation of externally managed small cap REITs where poor structures, lack of scale, limited alignment of interest and legacy investment strategies have manifested in material discount ratings. The days of easy money for externally managed small cap REITs with little in the way of shareholder alignment have long disappeared and the list of such companies is reducing by the day.

Offices

Great Portland Estates

Toby Courtauld, chief executive:

Despite ongoing macro-economic volatility, our confidence and belief in London remain strong. As one of the world's most attractive and diverse mixed-use destinations, London stands unrivalled as a true global city. Its unique ability to attract people and businesses from around the world continues to drive strong demand for commercial space. However, occupiers are increasingly targeting only the highest-quality spaces, and the supply of such premium space in London will substantially lag

this demand. As a result, we anticipate that these market conditions will continue to drive rents upwards and we expect further rental growth of 4% to 7% over the next financial year. For prime office space, our guidance is stronger still at 6% to 10%.

Helical

Matthew Bonning-Snook, chief executive:

The past year has seen the central London office market continue to be characterised by strong occupational demand, driving sharp rental growth for prime space, alongside more recent encouraging signs of recovery in the investment market.

Leasing activity remains robust, with structural supply imbalances in key sub-markets and high levels of demand, particularly for large, high-quality floorplates. By the end of March 2025, active requirements for space over 100,000 sq ft had reached record highs. With limited availability, occupiers are increasingly looking ahead at lease events and acting early to secure preferred options, leading to a notable rise in pre-letting activity.

Momentum is also returning to the investment market, buoyed by the strength of underlying occupational activity and the stabilisation of the financial markets. There is broad consensus that 2024 marked the cyclical low, with investment volumes in Q1 2025 exceeding those recorded in the same period last year. Investor interest has notably returned recently with global capital exploring investment into the central London market, and reassuringly the increasing number of transactions exceeding £100m point to improving liquidity and renewed confidence.

Although macroeconomic and geopolitical uncertainties persist, the outlook for London commercial real estate has strengthened. London continues to attract investors with its transparent legal framework, market stability and relative resilience. Looking ahead, constrained supply, continued occupier focus on quality and early-cycle investment opportunities are expected to define market dynamics through the remainder of 2025.



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