

QuotedData's Real Estate Roundup



**July
2025**

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Monthly roundup | Real estate

Winners and losers in June



Best performing funds in price terms

(%)

Warehouse REIT	12.3
Life Science REIT	9.9
CLS Holdings	9.9
IWG	8.4
Henry Boot	8.0
Harworth Group	7.8
Safestore	7.8
AEW UK REIT	7.3
Empiric Student Property	6.6
Regional REIT	6.3

Source: Bloomberg, Marten & Co



Worst performing funds in price terms

(%)

NewRiver REIT	(7.5)
PRS REIT	(6.7)
Custodian Property Income REIT	(5.9)
Town Centre Securities	(4.6)
British Land	(3.6)
SEGRO	(2.5)
Globalworth Real Estate	(2.1)
Primary Health Properties	(1.7)
Unite Group	(1.6)
Real Estate Investors	(1.5)

Source: Bloomberg, Marten & Co

At the halfway point of the year, real estate stocks have performed strongly – up 8.0% on average. In June, the median uplift was 1.9% and was again dominated by merger and acquisition (M&A) news. **Warehouse REIT** has been the subject of a number of diminishing offers from private equity giant Blackstone over recent months, but was the subject of a merger offer from a listed peer at a healthy premium to the previous recommended bid (see the corporate news section for details). **Life Science REIT**'s manager is busy optimising its portfolio ahead of a mooted sale of the company (see the news section for details on portfolio lettings progress). Another M&A candidate **Empiric Student Property** received a proposed offer from a listed peer at a substantial premium to its long-time depressed share price. **AEW UK REIT** has been a standout performer in the sector for a number of years, and again proved its mettle in annual results (see the valuations move section for further details).

On the other end of the M&A pendulum was **PRS REIT**, which – having put itself up for sale earlier this year – revealed it had received a proposal that was below what most analysts were forecasting. **NewRiver REIT**'s annual results were impacted by the costs involved in its acquisition of listed retail peer Capital & Regional during the year (see the valuation moves section), although earnings have been boosted and portfolio valuations have stabilised. Meanwhile, merger arbitrage trades (where hedge funds buy the target company and sell the buying company in a merger) were behind the share price moves of both **Primary Health Properties** and **Unite Group** in their pursuits of Assura and Empiric Student Property respectively. **Custodian Property Income REIT** suffered share price weakness in June after posting annual results in the month that showed valuations had turned positive and strong earnings growth. It trailed the performance of its diversified peers, however (see valuation moves section).



Valuation moves

Company	Sector	NAV move (%)	Period	Comments
Schroder European REIT	Europe	(2.1)	Half-year to 31 Mar 25	Portfolio valuation declined by 1.3% to €205.6m
Residential Secure Income	Residential	(11.5)	Half-year to 31 Mar 25	Value of portfolio down 4.8% on a like-for-like basis to £294.5m
AEW UK REIT	Diversified	7.2	Full year to 31 Mar 25	5.9% like-for-like valuation gain in its portfolio to £204.6m
Sirius Real Estate	Europe	7.1	Full year to 31 Mar 25	Value of Investment property portfolio up 2.2% to €2,488.1m
Schroder REIT	Diversified	4.8	Full year to 31 Mar 25	Portfolio value uplift of 4.5% to £480.0m
Custodian Property Income REIT	Diversified	2.9	Full year to 31 Mar 25	Like-for-like valuation of the company's portfolio increased by 2.2% to £594.4m
Warehouse REIT	Industrial	2.9	Full year to 31 Mar 25	Like-for-like portfolio valuation up 3.8% to £805.4m
Value & Indexed Property	Diversified	0.6	Full year to 31 Mar 25	Portfolio value stable at £146m
Workspace Group	Offices	(3.3)	Full year to 31 Mar 25	Like-for-like portfolio valuation down 1.6% to £2,368m
NewRiver REIT	Retail	(11.3)	Full year to 31 Mar 25	Fall due to costs in Capital & Regional merger. Portfolio now worth £897m, with values up 0.6%

Source: Marten & Co

Corporate activity in June



The boards of Tritax Big Box REIT (BBOX) and Warehouse REIT reached agreement on the terms of a recommended cash and share offer, in which BBOX would acquire Warehouse REIT – trumping a previous offer from Blackstone. Under the terms of the acquisition, each Warehouse REIT share will be entitled to receive 0.4236 new BBOX shares and 47.2p in cash. In addition, Warehouse REIT shareholders will retain the quarterly dividend of 1.6p to be paid on 25 July as well as retaining the quarterly dividend on 6 October. Based on BBOX's share price, this represented 111.0p per Warehouse REIT share and 114.2p including the dividends, valuing Warehouse REIT at around £485.2m. This represents a premium of 38.6% to Warehouse REIT's closing price of 82.4p before the offer period commenced and a premium to the value of the Blackstone offer of 4.8%.

The board of Assura recommended an improved offer for the company from Primary Health Properties (PHP), switching from its previous recommendation for the KKR/Stonepeak bid. Under the terms of the increased PHP offer, Assura shareholders would receive 0.3865 new PHP shares and 12.5p in cash. In addition, Assura shareholders would receive a special dividend of 0.84p. The offer, together with the special dividend implies a total value of 55.0p and values Assura at around £1.79bn. This represents a 9.1% premium to Assura's NAV and to KKR/Stonepeak's best and final cash offer of 50.42p.

Unite Group tabled an offer for its smaller student accommodation peer Empiric Student Property. The proposed offer comprises 30p in cash and 0.09 new Unite shares, valuing each Empiric share at 107.0p and the company at £710.6m. This was at a large premium to the company's share price but a 10.5% discount to its NAV.

PRS REIT received a proposed offer for the company from Long Harbour valuing it at 115p, or £631.6m. The company put itself up for sale earlier this year following a strategic review, following a requisition from a group of shareholders that ended in the chairman Steve Smith and another director being ousted.

Tritax Big Box REIT entered into a new £400m unsecured revolving credit facility (RCF) with a syndicate of its existing banks and new lenders. The new RCF is being used to refinance the company's existing £300m RCF, which is due to mature in June 2026, as well as to support the company's investment and development activities. With an initial five-year term (that may be extended to a maximum of seven years subject to lender consent) the new RCF also contains an uncommitted £200m accordion option. It has the same margin ratchet as the existing RCF, with an opening margin of 110bps (basis points, equivalent to 1.1%), but with a margin reduction should the company benefit from a potential future credit rating upgrade to A3 or higher by Moody's (or equivalent from S&P or Fitch). Alongside the new RCF, BBOX has also refinanced its existing £150m bilateral facilities with Barclays with a new bilateral term loan, again with Barclays. The term loan has a maturity of October 2027 and may be extended by up to a further three years subject to lender consent. The term loan incorporates a sustainability-linked margin adjustment. It also benefits from the same margin reduction mechanism as the new RCF if the company benefits from a potential future credit rating upgrade.

Sirius Real Estate secured a new €150m RCF, with an initial three-year term. The RCF has two one-year extension options and incorporates accordions allowing it to be upsized by up to an additional €100m. The facility carries a margin of 120bps (basis points - equivalent to 1.2%) over short-term EURIBOR.

Social Housing REIT had its investment grade credit rating reaffirmed by Fitch Ratings. The company retains a long-term issuer default rating (IDR) of 'A-' and a senior secured rating of 'A' on its existing loan notes. The outlook remains negative, reflecting two outstanding tenant-related issues. However, Fitch noted this could be revised to stable once these matters are resolved.





June's major news stories – from our website

- **Unite sells £212m student digs portfolio**

Unite Students sold a portfolio of nine student accommodation properties, comprising 3,656 beds, for £212m (Unite share: £140m) to an affiliate of Lone Star Funds at a small discount to book value and a yield of 6.4%.

- **NewRiver REIT disposes of shopping centre**

NewRiver REIT sold the Abbey Centre in Newtownabbey, Northern Ireland, for £58.8m, in line with the March 2025 valuation. The sale sees proforma LTV reduce to 38%, back within its LTV guidance of <40%.

- **Custodian Property Income REIT buys Merlin portfolio**

Custodian Property Income REIT completed the £22.1m all-share acquisition of Merlin Properties Limited, a private family-owned property company. The transaction brings with it a £19.4m portfolio of 28 small regional UK assets and a further £2.7m in new-build housing stock, which is expected to be sold in the coming months.

- **Warehouse REIT spends £34.75m on Thame industrial estate**

Warehouse REIT exchanged contracts to buy Rycote Lane, a multi-let industrial estate near Thame, Oxford, for £34.75m. The 173,000 sq ft scheme comprises 14 units, ranging in size from 3,000 sq ft to over 50,000 sq ft, and is 98% occupied, generating a contracted rent of £2.1m, equating to a net initial yield of 5.6%.

- **Sirius Real Estate acquires German industrial assets**

Sirius Real Estate purchased a light industrial property in Geilenkirchen, Germany, for €12.9m. The asset was acquired by way of a sale-and-leaseback transaction with a precision engineering business, which has entered into a triple net lease on the entire property. The acquisition reflects a net initial yield of 9.3%.

- **Derwent London sign Adobe to more office space**

Derwent London completed a lease extension and expansion with long-standing occupier Adobe at its White Collar Factory office in the City of London. Adobe has expanded its footprint by 25% to 67,000 sq ft, leasing an additional 13,400 sq ft, and has extended their occupation to 2038 (with a break in 2033). The overall rent has increased to £4.5m, ahead of December 2024 ERV.

- **Regional REIT makes letting progress**

Regional REIT secured seven new lettings and eight lease renewals across its portfolio since its last trading update on 15 May 2025. The 15 transactions deliver a total annual rental income of over £1.6m and represent a 6.32% uplift to ERV.

- **AEW UK REIT buys high yielding leisure park**

AEW UK REIT purchased Freemans Leisure Park, in Leicester, for £11.15m, reflecting a net initial yield of 10.6%. The 108,771 sq ft property is fully let to Odeon Cinemas, Mecca Bingo, Spirit Pub Company and Nando's.

- **Life Science REIT fully lets up Rolling Stock Yard**

Life Science REIT announced that its Rolling Stock Yard property in London's Knowledge Quarter is now fully let, following the signing of a new lease with Wayve Technologies. The AI-driven autonomous vehicle company has taken the seventh and eighth floors – totalling 10,500 sq ft – at a rent of £84.50 per sq ft.

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.

Diversified

Custodian Property Income REIT

David MacLellan, chairman:

A changing and more challenging global political landscape during the year has resulted in tensions and uncertainty running high in parts of the world. In the UK, it is still early days for the new Labour government but uncertainty is never good for any economy, including the real estate sector.

While commercial property in the UK is showing signs of recovering value on the back of increased occupier activity and growing rents, the share prices of listed real estate companies do not yet reflect this recovery with many shares in these companies continuing to trade at discounts to net asset values. As a result of these, in some cases, quite wide discounts there has been increased corporate activity in the listed real estate sector with mergers, take-privates and managed wind downs a feature of the last twelve months following the arrival of more activist shareholders.

In my chairman's statement last year, I reflected that the company could soon be one of only a few active and genuinely diversified property investment companies available to investors in the listed sector. It would appear that this reflection has proved prescient, however, as I note in the following paragraphs, the company is well positioned with a diversified portfolio of performing real estate assets which are providing a strong yield from a fully covered dividend.

Income and income growth are likely to form the greater component of total return over the next phase of the property cycle if long-term interest rates continue to stay high with persistent inflation.

Schroder REIT

Bradley Biggins, fund manager:

In May the Bank of England implemented its fourth 25bps cut to the base rate this cycle, bringing it to 4.25%. The market is now expecting the base rate to end the year at 3.75%-4.0%, lower than earlier in the year given increased uncertainty and softening growth expectations. The five-year Sonia swap rate has declined to 3.8% from the recent January peak of 4.6%.

This and the prospect of further interest rate cuts should be supportive to real estate financing activities. Average UK real estate values declined by 25% from the cycle high of June 2022 to the low of March 2024. This is a significant correction and compares with a 44% average market decline during the 2007 to 2009 global financial crisis (GFC), and a 27% decline during the recession of the early 1990s. It is also one of the largest corrections globally. Since then, average valuations have slowly recovered, increasing by 2.5% to March 2025, driven by yield compression and modest rental growth.

In addition to rebased valuations, there is fundamental support for continued rental growth given the lack of available high quality ESG compliant space, and significant construction cost inflation in the past four years, resulting in a constrained pipeline of new development. Monetary policy could support asset valuations, though the 10-year gilt yield remains elevated at 4.6%.

Our proprietary market forecasts show average commercial real estate total returns in 2025 and 2026 at 9-10% per annum, and 8-9% per annum in 2027 and 2028, representing above average returns. Downside risks to these forecasts have risen, including the impact to businesses of higher costs and muted growth. This could trigger rising delinquencies for weaker businesses that are already exposed to wage and energy price appreciation or lower consumer spending. Business spending will also likely be subdued and businesses will likely defer decision-making.

We continue to favour industrial estates and urban logistics assets benefitting from e-commerce and urbanisation trends. We believe that the current situation is likely to accelerate nearshoring dynamics, even if tariffs might be short lived. This form of supply chain re-organisation will create winners and losers. Gateway locations and areas particularly dependent on (US-)exports could see a short-term decline in demand.

The retail sector seems to have found a floor though the risk to consumer confidence and margin pressure for retailers means we continue to favour retail parks with a low exposure to fashion that attract discount retailers, as well as convenience formats including supermarkets. We also see potentially mispriced opportunities to execute upgrades and refurbishments of well-located workspaces.

Value & Indexed Property

John Kay, chairman:

The economic outlook has become more uncertain, and as I write, the news is filled with the erratic and bombastic utterances of President Trump. While his tariff measures have little direct impact on the performance of the investments in our portfolio, the resulting disruption to world trade and the increase in the uncertainties which affect all businesses can only be detrimental. We have some protection from instabilities in financial markets as a result of moves to secure longer term financing of our debt, but short term predictions of inflation and interest rates are particularly hazardous today.

The property market has stabilised. This follows difficult years, characterised by the Covid pandemic and the end of the abnormal period of very low interest rates which followed the financial crisis. Although these factors affected all kinds of property, different sectors experienced differential effects. Secondary retail and office properties suffered from the continued growth of online retailing and the development of 'working from home'.

The board believes that these trends are permanent. Offices which do not meet modern expectations of amenities and environmental standards will continue to lose value. The city centres of the future will have a very different character from their historic emphasis on functional shops and other services for office workers.

The company's portfolio has benefited from the manager's early recognition of these changes and the rebalancing of property investment towards out-of-town facilities - 'alternatives' and industrials/warehouses - properties outside the traditional sectoral focus on offices and shops.

International geopolitics are threatening. The wars in Gaza and Ukraine continue, and Chinese political priorities are evidently more aggressive in tone. While UK politics appear relatively stable, the long century in which political opinions and political parties were identifiably placed along a one-dimensional left-to-right axis of economic policies is at an end. The proximate causes and particular manifestations of the decline of traditional allegiances are different in the UK, the US, France, Germany, Italy and other countries. But the phenomenon is common across the Western world and the consequences will play out over decades to come.

These consequences may include the rise of populist strong men, the fragmentation of political parties, and the realignment of international alliances. All these events are likely to have negative effects on markets, although they will also offer opportunities. Advances in technology will continue to change the nature of business, in ways that will change the nature and identity of desirable property assets. A portfolio such as ours, based on real assets with inbuilt protection against inflation, should offer a safer, if not safe, haven in such an uncertain world.

Retail

NewRiver REIT

Allan Lockhart, chief executive:

The UK consumer remains strong, with elevated savings, stable house prices, low levels of unemployment and wages exceeding inflation since June 2023. This has supported retail and supermarket spending which, based on Lloyds Bank data, has delivered year-on-year sales growth of +1.5% for the 12 months to March 2025. This continued growth is a solid result

given that retail accounts for 27% of Lloyds Bank's 26 million customers' annual spend and supermarkets account for a further 19% and is despite consumers having to increase their essential spending such as on mortgages +8% year-on-year and council tax +13%.

Whilst the retail, hospitality and leisure sectors have been undoubtedly impacted by the April 2025 increases in national insurance and the minimum wage, other costs for retailers have been reducing. This includes energy, shipping costs and factory gate prices. The benefit of an appreciating Pound versus the US Dollar is also supporting lower prices especially for non-food retailers buying products in Asia, with a potential increased price negotiating power for UK retailers with suppliers as result of the US imposed tariffs on China. For UK food retailers their supply chains are more orientated to European and UK markets and as such US tariffs are unlikely to have a material impact. That said, US tariffs have been impacting consumer confidence and in turn will potentially lead to a slowdown in economic growth. We will monitor our customer spending data carefully.

Our occupational market is in its strongest position for a decade having navigated significant challenges, with vacancy continuing to decline across the sector and rental growth starting to emerge for assets in the right locations. We believe this for three key reasons: firstly, much of the corporate restructuring has already taken place with the weaker retailers removed from the market; secondly, most national retailers have focused on operational efficiency and margin growth, leading to improved financial results; and lastly, pure online retail is going through its own period of disruption with the line between in-store and online sales increasingly blurred and omnichannel retailers gaining market share. This is positive for our sector as the physical store is at the centre of omnichannel retailing, arguably the genuine last mile fulfilment and a business-critical channel for retail today and into the future.

Investment volumes in 2024 rebounded versus 2023 for both shopping centres and retail parks. Shopping centre volumes were up 70% at £2.0 billion reflecting improving investment sentiment as the sector offers one of the highest day one yield spreads to the 10-year Gilt. The first quarter has been relatively muted due to limited supply rather than a lack of demand. Retail park volumes surged by 75% to total £3.3 billion. Investor demand remains broad based, underpinned by strong occupational demand dynamics, very low vacancy and constrained future development limiting new supply of space.



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