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An Alternatives View 2025

Insights into the UK's alternative assets

Alternatives 2025

Alternatives offer real estate investors an opportunity to diversify their portfolio and realise healthy returns in a challenging market. However, with more niche assets come niche challenges and opportunities. It's crucial therefore that new players have the right specialists to advise them.

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Executive Summary

Alternatives and the niche assets within the broader sector have specific opportunities and challenges that need to be understood and advised on.

This report takes a deep dive into 19 niche assets within the residential, commercial, automotive & roadside, infrastructure, health, science and education industries, that make up the majority of Alternatives, providing an overview of each one's performance, its outlook and the factors that need to be overcome or leveraged for performance.

In the past year, much has changed, from geopolitical and national political movements, macro and microeconomics, to building and planning policy, Government support and consumer demand. Inflation and interest rates remain uncertain bets, whilst movements within the wider industries that alternative real estate supports, also need to be understood implicitly.

This report pulls out several wider arching themes affecting groups of Alternative assets and showcases the in-depth knowledge Rapleys has of each.

Key observations

International investment is set to rise with a particular wall of money from North America, Japan, Hong Kong and Singapore thanks to domestic market uncertainty. This represents a huge opportunity for alternatives and integrated platforms who can run the assets operationally in-house.

Alternatives represent a good way to diversify portfolios that may be too heavily weighted in favour of assets that are not performing in the current market.

Change of use to alternatives could be a good way to asset manage assets that are in risk of becoming obsolete, such as tertiary offices and disused car sites, which we are seeing being repurposed into living, labs or flex assets.

With the uncertainty surrounding geopolitical changes, some alternative assets that are in high demand could be a way to secure income e.g. vets, dentists, affordable housing, BTR and labs.

The living sectors are in strong demand by overseas capital thanks to their relatively secure income, and are likely to receive further boosts from a Government focused on delivering housing.

Government support for affordable housing, data centres, infrastructure and renewables will make these industries and assets more attractive. Look out for further incentives for private capital as the policies come into fruition and the public sector recognises the importance of private side investment.

Health and wellbeing continue to be a bigger priority which will mean continued demand for dentists, care homes, vets, labs and well-designed BTR and PBSA.

The continued interest in flexible, hybrid and home working will continue to positively impact the flex sectors, foodstores (particularly convenience), drive thrus and self-storage in particular, as well as high street dental and vet services.

AI is helping to drive operational efficiency with a huge focus on the reduction of research and administrative tasks. It is also key for the infrastructure industries, driving demand, and in advances in technology and data, helping further insight into these assets. However, AI cannot substitute the real experience gained over years of personal interaction and so, whilst useful, property in general - including Alternatives - still needs the human factor.

Operational real estate remains key for Alternatives, as it does in other sectors, with a challenging investment marketing meaning yield compression - via asset management or efficient operations - needs to be worked hard for.

Challenges remain for Alternatives - each industry has its own niche obstacles to overcome, that is why it is crucial to have a specialist adviser to partner with, who can provide the right guidance and set the assets up for success at whatever stage of the lifecycle.

TOP OPPORTUNITIES

UK remains a safe haven with transparent regulations and strong property fundamentals

Government backing continues for a broad range of alternative sectors

International investors show sustained interest in the UK living sector

AI is reducing operational costs and increasing demand for digital infrastructure

Strong covenants and active asset management are crucial for performance

Assets aligned with health, wellbeing, flexibility and convenience are in demand

Specialist advisers in alternatives will benefit from rising demand for expertise

TOP CHALLENGES

Political populism and geopolitics generally are affecting the UK

Planning policy changes may create inertia until practical

Building policies such as the Building Safety Act will raise costs and cause delays to projects as the industry works out how to embed them

Lack of professional building talent represents a risk to project delivery

Utilities and connectivity need tackling urgently

Building costs and lack of supply of materials

Many alternative sectors are still not classified in planning use classes, holding back understanding and Local Plan Allocations

BIGGEST CHALLENGES

Education (public sector)
Renewables
Transport & Infrastructure

INVEST

Data Centres
Self-Storage
Affordable Housing
Dentists
BTR
Care & Retirement
Drive Thrus
Flex
Motorway Service Areas
Education (PBSA)
Labs

GOVERNMENT SUPPORT

Affordable Housing
Renewables
Transport & Infrastructure
Data Centres

BIGGEST OPPORTUNITIES

Data Centres
Self-Storage
Affordable Housing

HOLD/ASSET MANAGE

Foodstores
Car Dealerships
Forecourts
Sport

CONSIDER OPPORTUNISTIC EXIT

Churches
Education

MOST AFFECTED BY POLICY

Education
Affordable Housing
Renewables
Transport & Infrastructure
Vets

AFFORDABLE HOUSING
150,000
affordable homes needed each year in the UK

CAR DEALERSHIP
10%
market rise in **2024**

CHURCHES
4.3%
of people regularly attend a church

BUILD TO RENT
£5bn
invested in 2024

PETROL STATIONS
17
sites lost in **2024**

CARE
1 in 4
people in the UK will be 65+ within 10 years

DENTISTS
20%
-projected growth of dentists in the next **5** years

EDUCATION
3m
students in the UK seeking higher education

LABS
£90bn
- the life sciences market value

SELF STORAGE
£1bn
was reached by the market in **2024**

SPORT
£2bn
- the cost of Man Utd's new stadium set to be the biggest the UK

TRANSPORT
150
significant infrastructure projects to be fast-tracked by Government

FLEX
206%
more enquiries for flex space than pre-Covid

FOODSTORES
+800
new supermarkets targeted for delivery by the main players

VETS
56%
of the market owned by top **6** vets

RENEWABLES
No.1
if the UK reaches net zero by **2030**, first country do to so

DATA CENTRES
£44bn
the figure experts predict data centres can add to GDP by 2035

DRIVE THRUS
40%
growth in the last **10** years

Alternatives Investment Overview

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It's no secret that the real estate investment market has been challenging over the last 18 months, coming on the back of a post-Covid world and ongoing geopolitical and structural changes.

The UK's changing inflation and interest rates, taxation policy and other legislation have also caused delays to the deployment of capital with many otherwise notable deals put off as a result.

Capital does however remain available for the right opportunities. This may not lie in funds, but is both asset and deal-driven, with a focus on asset management to add value for an exit in three to five years, rather than the 10-year income stream investments we saw 18 months ago.

Whether through asset conversion or a deeper understanding of alternative sectors, investors can still find opportunities in the UK property market. This is particularly relevant for those looking to diversify portfolios previously weighted toward underperforming traditional sectors – industrial being a possible exception.

Healthcare properties – such as dentists, pharmacies, vets, care homes and even labs, continue to prosper thanks to the strong focus on health and wellbeing from consumers and strong operators that will take a range of leases in these sub-sectors.

Offices can easily be converted to labs and flex space and, with more work, to living assets, which continues to go from strength to strength.

Demand in the food sector remains strong, but transaction volumes are below historical averages due to limited available stock. Buyers seeking more attractive yield profiles are targeting assets with shorter lease profiles or over-rent, seeking value through careful underwriting of location, right sized store format and trading performance. 2025 will see a rise in sale and leaseback activity, with Morrisons and Asda using this as a means to relieve their debt burden and Lidl to fund expansion. Strong sales results from market leaders and limited supply of stock are expected to sustain demand in the sector and drive further yield compression.

Despite growth slowing in automotives, demand is still there, buoyed by international brands coming to the UK at a rate of knots, whilst roadside continues to outperform with drive thrus, self-storage and service stations in demand. With Government funding and other support for infrastructure, data centres and renewables, these represent excellent opportunities to diversify investment too.

For those assets already being held, operations are key. Investors cannot rely on the market for yield compression meaning successful exits need to be worked for. Again, Alternatives offer that opportunity through conversion or lease regearing.

Alternatives offer real estate investors an opportunity to diversify their portfolio and realise healthy returns in a challenging market. However, with more niche assets come niche challenges and opportunities. It's crucial therefore that new players have the right specialists to advise them.

Only one thing is for certain in this market and that's uncertainty. Investors will need to act and work hard for their returns. In Alternatives, the key is having the right adviser to guide on the niche specifics that make an opportunity or pre-empt a challenge. Success is there, the opportunity needs leveraging and, with insight and access to 19 such industries, this report provides an overview of what to look out for.

Residential

Residential: Affordable Housing

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The affordable housing sector rarely left the headlines in 2024, a trend that continues throughout 2025 with a Labour Government that is seemingly laser focused on delivering 1.5 million homes in the next five years, generating the biggest boost to social and affordable housing in a generation.

With some 150,000 affordable homes needed each year, but only 2,697 completed from April to September 2024, the sector is hopeful that the Government's focus turns into a robust plan with funding support and that delivery accelerates in the short term.

The Registered Provider market experienced an unusually quiet 12 months with some modest pickup in the last three months of 2024, caused by a combination of political instability from the change of government and no announcements on a new funding programme, together with a perfect financial storm of increased construction costs, higher lending rates and increasing asset management liabilities. The current programme requires completions on site by March 2026 so unless a scheme is already on site and "oven ready" there is likely to be a further lag in developments until the new round of funding is announced.

This follows several years of lower delivery. As an example, the GLA reported a 91% reduction in affordable housing starts between 2022/23 and 2023/24. In London, the onerous late-stage review standard (which essentially ignores land value or the land value/existing use deficit) is holding back delivery as it introduces excessive commercial uncertainty. At the same time, rising construction costs for higher-rise apartment schemes are pushing many developments into unviable territory.

The financial capacity in the sector has also been reducing owing to higher interest rates, increased construction costs and increasing asset management costs to address issues around cladding/fire safety, damp and mould, and the net zero agenda. The one positive has been the consultation on a new rent settlement at CPI plus 1%, which provides some certainty in an otherwise uncertain world.

The Government recently announced a £2bn injection into funding for 18,000 new affordable and social homes, designated for developments that can commence within the current parliament term. Some commentators have however questioned whether this represents an overall reduction compared to previous funding commitments – particularly when viewed in the context of the Government's ambitious housing targets. Across the sector, there remains a clear consensus that much more needs to be done.

The outlook for the next 12 months will be driven by any announcements on a new funding programme. Most RP's are focusing on whole site developments (rather than s106) where they can control quality and programme – these developments are usually reliant on grant funding and the lack of a new funding programme will hold back the market. There could be an opportunity for the larger 'For Profit' providers to soak up some of the opportunities, but the levels of return achieved from affordable housing, compared with the current higher base rate is a challenge and we need to see rates fall to show better returns. High levels of construction costs and shortage of mid-sized contractors with the financial capacity to deliver schemes will continue to present a challenge. We are also likely to see many councils coming back to the market to acquire developments which could potentially fill the gaps where the RP's are not coming forward.

Homes England, the Government's housing delivery agency, recently launched a section 106 clearing service to help match up existing s106 units with purchasers which is already proving popular with 300 signups to date. This is undoubtedly due to the fact that s106 units were delivered over the last few years in line with requirements but factors including the inclusion of gas or their being under the previous design codes, have resulted in a lack of demand by Registered Providers. Consultants have tried to be innovative and match up smaller, well designed SME housebuilders with RP's which has proven effective in various locations and will help, but there remains a quantum of existing stock that is built or in construction with no one to purchase/operate. Given the demand for affordable housing, this needs to be tackled urgently. Only time will tell if the Homes England service will cut through.

Rapleys has also seen increased demand from private companies in registering as 'For Profit' Registered Providers with a total of 78 at the end of 2024 - out of a total of 1,600 - and expectations that this number will treble by 2028. For-profits contributed to 18% of private

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registered providers' (PRP's) net growth in social housing stock in the 2024 financial year with many sponsored by developers (around 30%). However, despite private ownership rising 40% in the last three years, the overall private ownership of such stock remains at around the 1% mark despite huge interest in the sector.

In the meantime, the affordable housing sector will be watching out for any indication of what lies ahead in the five-year spending review and what the new grant funding programme will look like from 2026 onwards. Grant funding is still desperately and urgently needed for s106 units. There are consents for social housing up and down the country that will struggle to be delivered due to the current lack of funding for Registered Providers to acquire them. This will set the tone for commitment to deliver such units where a purchaser and operator are already in place thanks to funding. Otherwise, we may see even more sites delayed, further clogging the system as deliverability and viability are questioned and appealed. We also wait to see how local authorities oversee their spend following their control over all Right to Buy receipts, and what, if any incentives are provided to private investors in affordable housing alongside potential and much needed support for modular housing, which remains key to delivery targets but needs to be thought out further.

The Consultation on and potential introduction of Energy Performance Standards – to bring all social (and private) rented stock to minimum EPC Band C by 2030 – together with the introduction of sustainability reporting requirements for social housing landlords may also add further burden to finance-stricken Registered Providers. The introduction of Awaab's Law, enforcing social landlords to address damp and mould issues (and other hazards within dwellings) within strict time deadlines, together with overall increasing demands on new developments to meet sustainability and energy efficiency standards, are all expected to impact the market. In short, while all of these are needed, higher costs alongside higher targets will put huge pressure on social landlords' development programmes.

TOP CHALLENGES

Lack of funding

High construction costs

Contractor capacity

RP financial capacity – interest rates and asset management costs

Consolidation in the RP sector – so fewer players in the market

TOP OPPORTUNITIES

Government's laser focus on affordable housing, as part of its 1.5m housing target within five years

Demand – from local authorities to meet temporary housing pressure

Opportunities – for funds to acquire s106 units not being picked up by the RP sector

Pension fund money – coming into the sector primarily in the 'for profit' sector

No viability challenge on grey belt sites, so additional units will come forward

OUTLOOK

↑ Capital values

↑ Rental values

↑ Planning applications

Residential: Build to Rent (BTR)

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The Build to Rent (BTR) market has had a pivotal year. Despite there being a huge amount of capital still interested in the sector, delivery has been constricted by viability issues.

In addition to London, most BTR schemes have been developed in key regional cities such as Manchester, Leeds, Edinburgh and Birmingham, or in suburban locations around the M25 including Reading and Kingston. Notably, these have picked up the young professionals market which demand amenitised and serviced homes and are willing to pay more of a premium for these.

As the market has matured, BTR developers and operators have built in operational efficiencies meaning that utilities, for example, are cheaper and often built into the rent, perhaps somewhat offsetting the amenities premiums. Certainly, data and technology have accelerated in their use and innovation, with operators able to see usage of utilities and of amenity space and adapt accordingly.

Given the current market challenges resulting in the limiting of yield compression opportunities, investors are more reliant than ever on optimised operations as a way to achieve better income and add value.

In terms of future outlook, planning consents granted for UK BTR developments increased 35% in the past 12 months, according to the British Property Federation (BPF).

In its latest market analysis, the BPF revealed that London was leading the market with the highest number of BTR consents, for the first time in two years. This helped bring the total number of BTR homes across the UK to more than 123,000.

Despite planning consents increasing, construction starts have fallen, down by more than 18% in 2024 compared to 2023. 10,900 more homes were delivered in 2024 than started, with London seeing the biggest drop in starts.

Investment volumes for UK BTR reached a record £5bn in 2024, with Q4 particularly strong as investors looked to close deals before the end of the year, perhaps also motivated by Government policy coming into play.

Single Family Housing (SFH) represents a very real opportunity for institutional investors committed to rental living. With longer rental tenancies, and families not wanting to move as regularly as in the multi-family housing sector, income is more secure and long-term. Whilst there are many developments in the pipeline, few have been delivered and so performance is difficult to judge but the fundamentals are strong and, those that have been delivered have been received well.

SFH investment made up 36% of the total of build to rent investment in 2024, with some £3.7bn of investment or acquisitions to date and over 70% of investors in living targeting the sector over the next four years.

There has traditionally been a north-south divide with much SFH taking place in locations north of Birmingham. However, latterly investors such as Apache Capital and Savills IM have been looking at the Home Counties, where there is demand for housing, but access is difficult due to pricing of ‘buy to sell’ properties and the constricted mortgage market.

Apache Capital’s SFH platform Present Made is delivering 373 homes as part of the University of Cambridge’s Eddington Masterplan, the first units of which have been handed over already, with residents starting to move in. Built around a community ethos, this development provides housing in a previously hard-to-access location for families, complete with supporting infrastructure, smart and sustainable construction, and ample green spaces and amenities.

Savills IM is delivering 78 Single Family Houses at Cathedral Green in Ely which is being built using modern methods of construction. Savills IM has also acquired two sites from Urban & Civic for 200 units in both Rugby and Alconbury Weald - also Cambridgeshire - both as part of major master plans which is where SFH seems to have found its sweet spot. Other developments in the area include Urban & Civic, who will deliver 100+ SFH units under its own new brand in Wintringham, also as part of the wider masterplan in the area.

There is no surprise that SFH is taking off in the ARC - because of the lack of accessible priced residential but also a huge demand from young professionals and families alike.

There is an argument for more amenity-lite, accessible housing across both BTR and SFH. With construction delivering more high standard housing than currently exists in the private rented sector featuring second hand housing, purpose-built rental living units must play an important role in the Government's housing targets.

The industry must also not forget offsite manufacturing of units. Whilst this part of the market has been dealt numerous blows over the last 12 months with several big players failing, the theory remains intact if the practical challenges can be ironed out. The mantle has already been picked up in part by players such as British Offsite, who follow a unisystem approach. Offsite is still the fastest way to deliver housing with minimal impact on the site and adjoining community and it is smart and sustainable – all factors that BTR players seek to adopt as part of their plans.

Policy changes have a big part to play in the sector's outlook. On the one hand we have questions over rental control, licensing and the ongoing reading and amendments to the Rental Reform Bill, all of which will impact the BTR market including tenancy lengths and the ability to increase rents. The sector needs clarity on this for all stakeholders or there will be further delays and viability issues.

On the other hand, the Government could be doing more to stimulate this sector through initiatives like reducing s106 for BTR to bring through much needed institutionally-owned forms of intermediate housing, somewhere between private sale and social housing. Incentivisation of this type of product should also be in place if the Government is serious about leveraging this part of the market to help deliver homes.

For now, there are challenges, and some possible solutions but the greatest risk to this in-demand market lies with the Government. It remains to be seen if they can tackle this quickly to start to solve part of the housing delivery conundrum and help reach their overall targets. After all, it takes all types of housing to create long-lasting communities, not just affordable. The private sector is ready and waiting to help.

TOP CHALLENGES

Viability – construction costs, contractors, changing margins etc

Ongoing lack of understanding – into BTR and SFH

Taxation policies and other sticks by the Government

Rental controls, Renters Reform Bill and Licensing amongst various policies in consultation that can affect BTR

A lack of opportunity for yield compression has created a reliance on operations, however not many operators have real, deep-rooted experience

TOP OPPORTUNITIES

The case for BTR (and SFH) – to play an important part in the Government's housing targets/strategy, perhaps through incentivisation

A new amenity-lite form of BTR – enabling wider market access to purpose built, high-quality rental housing

Investor demand and interest - particularly rising for SFH

Consumer demand – rental can now be a choice

Fundamentals – supply vs demand remains strong and residential living outperforms other sectors as a result

Operations – those who have in-house operational insight and experience will perform

OUTLOOK

Capital values ↑

Rental values ↑

Planning applications ↑

Residential: Care Homes & Retirement

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Care & Retirement property in the UK continues to be of interest to investors, with numerous funds set up over the last few years, specifically targeting the sector and double-digit returns.

With ESG credentials and strong fundamentals, the market is starting to evolve from what has historically been a build-to-sell structure with operational fees, to retirement for rent opportunities. In the last 10 years there has been an increase of some 200% in schemes that offer rental tenures and just under 400% rise in the number of rental units in this sector. There is a rising demand from older persons who want to rent and, whilst schemes for rent are still very much in the minority, operators are evolving – noting the flexibility that comes with this type of tenure. Over the next few years, we expect to see this increase as it catches up with other living sectors where rental is seen as a choice.

For now, however, most development focuses on the for sale route and, despite the opportunities there are also many challenges for investors and developers in particular.

One of the biggest issues is that there is no classification for the sector. In terms of use classes, later living, care homes and retirement homes all sit across a number of classifications meaning that developers have to decide if they will have 'on site care' from day one. Either way, later living is not included into local development plans as a use class, despite over 65's being the fastest growing segment of the population. One in five people are currently over 65, set to be one in four in the next 10 years.

Many typical 'later living' developments are looking to be centrally located, nearer town centres, and those sites are notoriously high profile, high cost and higher risk. These schemes are targeting buyers at the £500,000+ price point however which means that there is still a wide proportion of the over 65 demographic that hasn't been tapped into institutionally.

The value of these higher-end schemes largely lies in their operation, so delays or rising construction costs can burden investors and developers, especially if planning consent has not yet been granted. While communities are generally supportive of such schemes – given that the grey pound boosts local businesses and they are not typically seen as anti-social – high-density developments in central town locations can still raise public concerns.

That said, several hotspots for high quality later living developments have emerged – mostly in the Southeast and Home Counties with Royal Tunbridge Wells having 49 purpose-built retirement schemes alone in and around the area, and Southampton having 33 for populations of around 116,000 and 265,000 respectively. Searches for such developments rose 250% for Tunbridge Wells and 600% for Southampton in the last 12 months.

It is unsurprising that many of these higher quality schemes have come about post-Covid-19, where care for older persons came under the spotlight. Such developments offer variations in care, actively marketing to '55s-65s' age bracket, some with on-site CQC (meaning it is subject to inspection and regulation from the Care Quality Commission), fewer with dementia floors and extra healthcare. The options are often linked back to planning and what the local authority is most likely to accept based on its Local Development Plan.

Those schemes that do feature healthcare face other challenges – the availability of staff has dropped in recent years and rising healthcare costs can challenge operational costs and thus viability. This helps to explain why we see more schemes today focusing on the residential and operational aspects rather than 'care', and why investors look to ring-fence challenges by partnering with an experienced operator.

As in Build to Rent, there is a case for tapping into a wider section of the market with a more accessible product but, to date, institutional investment has steered clear. Government support via incentivisation would certainly help to open this segment up to investors – after all, with an urgent need for more affordable housing, better equilibrium of the entire market should also be a focus. Older persons tend to live in family homes, which can be released to the market and help overall housing supply meet demand which filters down through all housing types. According to the Government, we need 30-50,000 new later living homes per annum to meet growth but only build around 7,000 a year, mostly in the higher end of the market.

In addition to affordability, families supporting older relatives into purpose-built housing are increasingly concerned about wellbeing and loneliness. As a result, operators must prioritise social engagement through programming and events, incorporate wellbeing-focused design elements such as natural light, and provide staff with appropriate training.

Care & Retirement developers and operators do face increased competition as sites that work for them also work for foodstores that serve adjacent neighbourhoods. Urban logistics will also no doubt pose competition as the demand for edge of town premises increases.

It is not only new developments that are driving the sector, however. We have seen conversion of assets as diverse as former car garages, dealerships and bus stations into later living schemes as they are often well connected in terms of surrounding transport and infrastructure. In fact, one of the new schemes in Tunbridge Wells is being built on the old bus station site by Elysian Residences – backed by the UK Retirement Living Fund (a JV between Octopus Real Estate and Schroders), whilst the town's notorious 'grot spot' – a derelict site that, 20 years ago, housed the town's only cinema – is finally seeing construction progress with a large retirement scheme by AXA Retirement Villages.

There are still many challenges with retirement housing – some of the schemes make exit very difficult whilst high amenities versions have large annual fees on top of the property cost itself. Others are rental but this brings with it more complications for pensioners. In terms of building, storage is often an issue – many people aged 65 and over do not want to get rid of their prized possessions yet and so deciding to downsize presents a moral dilemma. Whilst this is changing – and decluttering specialists are earning their wages as a result – it's still a huge decision to leave the family home, however unsuitable. Thus, the sales process can take longer than for the rest of the demographic in the buy to sell or build to rent sectors.

Strategic land released by local authorities should be focused on generating inclusive and intergenerational communities which are well-designed, stand the test of time and provide social cohesion. That means provision for purpose built older persons' housing. We should be able to look at a large site and see many different forms of housing, not just a focus on affordable housing and buy to sell which seem to be the Government's core focus right now. If we purpose-build later living homes, the whole market benefits as it becomes more balanced - whether that's to buy or to rent.

TOP CHALLENGES

Viability

Planning challenges and Policy misalignment – lack of use class and understanding affecting Local Plan allocation and a slow planning system

Lack of focus – still a relatively immature sector and focus is still on high end from investors

Rising fees – the trend for higher exit fees can put off some families

Staff shortages and rising healthcare costs

TOP OPPORTUNITIES

1 in 4 will be over 65 in 10 years – the case for investors is there and so is the money

The 80 and above bracket is the fastest growing proportion of the population

Greater acceptance of older persons and integrated communities

Government support or incentives would help investors supply property for a wider proportion of older persons

Conversion opportunities in obsolete buildings on edges of town

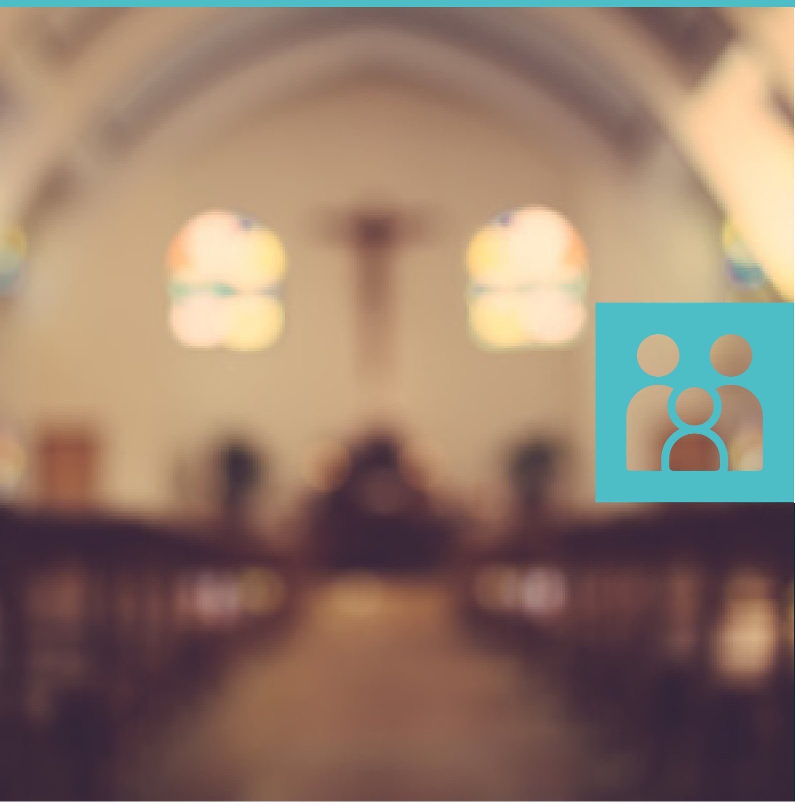
OUTLOOK

Capital values ↑

Rental values ↑

Planning applications ↑

Residential: Churches



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Church properties continue to be transacted in reasonably robust numbers as they become surplus to community needs due to dwindling attendance numbers, the merging of faith communities and increasing costs of maintenance and upkeep.

Since the national lockdown whereby church services transitioned to online to protect visitors (many of whom are elderly), a large number of regular visitors have not returned to physical services or have adopted a hybrid approach, attending sporadically as well as following online. Whilst numbers have continued to rise marginally, they remain well below pre-pandemic levels with around 2.53m people regularly attending services, equivalent to 4.3% of the population. This increases to only 5% of the public who attend for special occasions such as weddings, funerals, christenings and Christmas. Numbers are also skewed by parents attending for a few years in order to place their children in higher ranked faith schools within their catchment.

It is estimated that since 2021, 300 churches overall have ceased being churches altogether, and we saw a record year in transactions of churches in 2024.

Church buyers are broadly split into two groups – other faith groups (who often buy more London-centric properties) and private buyers who make up most of the sales outside London. It is the latter group who seek to convert into residential. Developers notoriously steer clear of church properties as they are challenging to convert, and typical margins aren't there. This provides the opportunity to private buyers to purchase a church and convert into a special home.

Challenges are mostly related to the site and the building. Churches are typically in awkward village locations and don't always have parking. Many of them still come with graveyards, which presents the issue of a broad duty of care to respect the deceased, ensuring no unnecessary disturbance or distress during development and the need to preserve memorial structures and maintain a site's 'dignity'.

Churches can also be a challenge when considering utilities. Some are still heated by archaic means such as oil, and most are inefficient, requiring lots of electricity and gas to keep them warm. Whilst more popular modern churches are treated as businesses and have put in various sustainability measures, those coming to market are often in the first category and, to enable residential conversion with a view to later being sold or rented, they will often need an EPC of at least C, albeit there are exceptions for certain heritage buildings. Churches themselves are exempt from EPC's.

For church properties to be converted to residential use, the evidence that they are surplus to community needs must be received by the local authority who will grant consent for their effective release from the community. This is fairly simple to do if church groups and estates are demonstrating that there are alternative places of worship for congregations to move to.

Not all church properties are heritage or places of worship. Often, sales include buildings with other community uses, such as outbuildings, youth centres and multi-purpose rooms. In these cases, the change of use can be to offices, schools, nurseries and even leisure facilities.

Demand remains good for acquisitions of prime church sites, but the available disposable cash is dwindling for other faith groups and, with mortgage restrictions and increasing costs of materials and labour, we may see a slight constriction of transactions from private buyers – competition for these assets will certainly reduce. Only parties who are appropriately funded can make such purchases and understanding the challenges is key. There are not many property consultancies that have expertise in dealing with the intricacies of church properties and it is essential that an expert is on board to help buyers navigate the process.

TOP CHALLENGES

Planning complexities

Decarbonisation

Complex sites – lack of parking, graveyards, antiquated utilities and infrastructure

Sites ripe for residential conversion are dwindling

Need to prove they are surplus to the community to be able to convert

TOP OPPORTUNITIES

Conversion – can deliver beautiful homes that are truly unique

Lots of church buildings aren't technically ecclesiastical – meaning conversion can be simple

Cheaper than residential and not always in demand, particularly not by developers

End value uplift

Repurposing – churches can be repurposed into a number of uses other than houses – restaurants, offices and even nightclubs

OUTLOOK

Capital values

Rental values

Planning applications (conversions)

Automotive & Roadside

Automotive: Car Dealerships

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As of 1 January 2025, there were 15,630 used car and light motor vehicle companies selling cars and other vehicles in the UK. This is an industry that has grown at a compound annual growth rate (CAGR) of 3.2% between 2020 and 2025.

Of these, around 4,600 are franchised dealerships, with Ford operating the largest number in the UK. In total, approximately 40 major car brands actively sell vehicles across the country, including international names like Toyota and Volkswagen, domestic brands such as Mini and Jaguar, and a growing number of new Chinese entrants like BYD and Omoda. Around 200 sites have been lost over the last two years – being repurposed for use to industrial, retail and even some to care & retirement property due to their location on the edges of towns.

The market for car dealerships has once again been active in 2024, up around 10% on the year prior, with numerous mergers and acquisitions leading to the disposal of many sites from a consolidation/economies of scale perspective. As such, the lot size also increased. Used car dealers saw a strong end to 2024, having rebalanced following the immediate lifting of lockdown where prices of used cars soared in response to demand.

The most active used car dealers in terms of transactions include HR Owen, AMARI, Romans International, Clive Sutton, Sytner Group, and Hedin Automotive and more recently, brands such as Motorpoint and Carsa have been expanding.

The UK has experienced a shortage of new cars over the medium term due to disruptions in the timely delivery of essential components. There has also been a surge in demand for new cars as economies recover from the effects of lockdowns imposed during the pandemic, albeit the suppliers of both types of car are undecided as the market has not yet fully embraced EVs.

New car brands are expected to expand their presence in the UK further with brands including Omoda and Jaecoo anticipated to have signed up 130 dealers in the UK by the end of 2025. Traditional brands such as Renault have also expanded, having navigated a transition to EVs as part of their offer. Since 2019, the number of car brands represented in the UK has risen sharply from 45 to 62, all of which will compete for consumer demand. This has no doubt been buoyed by the surge in EV brands partly in response to the ZEV mandate changes, with one in four new car registrations being for EVs. The mandate currently states that 28% of all sales must be ZEV by 2025, 80% by 2030 and 100% by 2035.

Concerns remain with battery EVs, namely how long they can last between charges and the capacity of EV charging infrastructure in the UK, which only hit just over 50,000 points end of 2024. The weight of EVs also poses problems for dealerships and road infrastructure with each EV car significantly heavier than a normal petrol car. We have already seen higher specification requirements for new sites including higher floor slab loading and greater ramp capacities, in line with LGVs.

Recently, the production process of EVs has also been called into question with the resources used to make one BEV equivalent to around 90 normal fuel vehicles. Will we see a debate akin to the embodied carbon question in demolition and new build vs conversion and retrofitting across the rest of the built environment? Whilst new car prices rebounded after Covid-19 due to pent-up demand, they are now expected to soften slightly, driven by incentives and competitive lease deals – potentially impacting dealership margins.

Unlike other retail and commercial properties, the rise of online sales has not impacted the demand for physical car dealerships. Drivers still want to see, feel and test vehicles and this means the fundamentals of the sector remain strong with a 10-year yield stability for investors. Energy efficiency continues to cause challenges with MEES regulation demanding any commercial business to have at least a C rating to transact by 2028 and a B (as it stands) by 2030. Whilst most car dealerships – particularly the larger brands – have already invested in measures to support sustainability, these remain challenging for those with older properties and less funding.

We estimate that, many secondary car dealerships of older specification still fall in the lowest EPC certification categories of E and F technically. Whilst measures can be taken to mitigate this by exploiting loopholes and taking avoidance measures, such as using freestanding heaters and coolers or, in some cases, even looking to use different assessors. Such short-term measures are effectively ‘kicking the can down the road’ and could

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create a ticking time bomb of inefficient properties that will struggle to comply in three years.

Even the bigger groups who have invested in sustainability measures are finding challenges when it comes to green leases, which were mostly built with traditional residential or commercial usage in mind and, as such, don't account for the intricacies and specific requirements for the automotive sector. Big operators with multiple sites are finding leases tricky to navigate, with landlords demanding use of their specific 'green energy' providers, despite many operators having agreements in place with one provider across all sites. From a commercial point of view, this cannot be acceptable and can cause lengthy delays with legal contract and heads of terms battles.

Operators are, however, rationalising their portfolios in response to challenges. Some are continuing to consolidate with multi-franchise sites that reduce running costs and share economies of scale. If these prove successful, it is a clever way to take advantage of mergers and acquisitions whilst dealing with surplus property. As such, we expect to see more of this in 2025 and beyond.

2025 will see more M&A activity within the dealership industry, with only one privately owned dealer group left in the top five. We also expect to see more consolidation of dealerships. This will likely affect mainly volume brands such as Ford and Stellantis (Vauxhall, Peugeot, Citroen, Fiat etc.) with premium brands such as Audi and Mercedes-Benz also expected to be impacted, and we have already seen closures from these brands.

All of this will lead to more properties coming to the market, especially smaller sites not capable of housing more than two brands. We would also expect to see a reduced number of planning applications for new developments.

TOP CHALLENGES

EPCs not fit for purpose for the Automotive sector

EV infrastructure questionability

Planning challenges for new sites

Running costs

Sites being lost to other purposes

Demand for ICE vehicles outstripping supply

TOP OPPORTUNITIES

New entrants driving consumer choice and operator offer

Rising demand for EVs which may be dependent on Government intervention

Rise in demand for new cars alongside strong second car market

Falling interest rates making yields more attractive

Multi-franchise sites with different brands, sharing economies of scale

OUTLOOK

↑ **Capital values**

↑ **Rental values**

↓ **Planning applications**

Roadside:
Drive Thrus

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The first drive-thru in the UK was a local fish and chip shop called Harry's in Bolton and opened in 1980.

2025 marks the 40th anniversary of the first drive-thru McDonald's opening in the UK, and their growth since then has been rapid. Today, there are over 2,000 drive-thru locations across the country – a figure that has grown by more than 40% since 2015. Drive-thrus are now most commonly associated with major brands such as McDonald's, KFC and Costa Coffee.

The Covid-19 pandemic significantly boosted the popularity of the drive-thru market. In the post-lockdown period, while restaurants remained closed, drive-thru lanes stayed open, resulting in long queues of customers. Though this often led to traffic congestion, it also provided a vital lifeline for businesses during an exceptionally challenging time.

Now, quick-service food continues to be strong, accelerating many established operators' acquisition programmes including those aforementioned brands as well as Starbucks, Subway and Greggs. There are new entrants to these markets, including Tim Hortons, Wendy's and Popeyes, while some established operators such as Greggs and Subway have also started new drive-thru concepts such as 'self-service' operations.

In early 2023, Gail's and Leon announced that they were entering the drive-thru market. By all accounts, this did not happen, and it is unclear as to why. Gail's did have a couple of drive-thrus but they were closed down – perhaps the higher end of the market appeals less to fans of fast food. Nevertheless, new operators continue to test the market with Taco Bell and Popeyes coming to the UK from across the Atlantic.

The market continues to be active with multiple examples of lettings at between £70-80 per sq ft on units of around 1,800 sq ft whilst a rent of over £250,000 pa was achieved on a larger drive-thru letting of around 3,500 sq ft and a market benchmark of £95 per sq ft was achieved on a lease to Greggs in Slough in what became a competitive bidding war. On average, drive-thru rents increased by almost 30% in 2023-2024.

The most acquisitive of operators in the smaller unit category have been Costa and Starbucks, who are also trialling new 24-hour operation to capture caffeine needs of consumers on the road at all hours.

Crucially, these operators don't need expensive kitchen equipment so the fit-out is more efficient, meaning they can afford to pay higher rents per sq ft, making them the automatic front-runners for new sites.

The growth of the drive-thru market is also down to the growth of home delivery, where Uber Eats and Deliveroo are a conduit to additional revenue. Most home delivery goes through the existing restaurants and can increase turnover by up to 50%, especially in densely populated catchments where customers prefer not to drive.

Drive-thrus currently make up 33% of all out-of-town food and beverage (F&B) openings, with over 100 new drive-thrus opening per year across the UK – mostly in existing retail parks but also evidently on standalone roadside sites.

Currently demand for these sites from operators is at a 10-year high, which makes them an increasingly attractive investment with leases of 10-15 years representing secure income. Transactions are often £1m plus but the lack of sites and opportunities means rental growth is supported. Investors tend to favour the big brand operators that are tried and tested in the market, with McDonald's, Costa and Starbucks most in demand. That said, comparables data on drive-thrus is limited meaning insight into the sector is still immature for new investors.

Challenges for drive-thru properties also remain – rising build costs can be prohibitive and a lack of labour in a challenging market are key factors. The likes of McDonald's and other big brands build most of their structures off-site and drop them in as a prefabricated kit which can offset other costs.

Due to their smaller floorplate, drive-thrus are not facing huge business rates liabilities, as car parking spaces, whilst contributing to overall value, are not linked by income generation. This means they are more robust than other F&B outlets and relatively safe (so far) from changes to the system.

Drive-thrus are an important addition to retail parks and other out of town locations. They remain attractive to occupiers, providing additional income streams on a relatively small footprint, and in high demand with investors.

TOP CHALLENGES

Lack of sites

High end brand failures in the drive-thru market

Availability of staff

Lack of comparables

Build costs

TOP OPPORTUNITIES

New concepts such as 'self-service'

Investor appetite for property

Lower costs including business rates

Innovative off-site kit building

Rental growth remains strong

OUTLOOK

Capital values ↑

Rental values ↑

Planning applications ↑

Roadside: Motorway Service Areas

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The UK has circa 96 motorway service areas (if you count services on either side as one).

The majority of these assets are owned by either Moto, Welcome Break or Roadchef with Extra developing a string of stations in the coming years. Moto operates 70 Motorway Service Areas, Welcome Break 25, Roadchef 20, and Extra 7, making up the majority of this asset type. Other smaller operators include Westmorland and EG Group, the latter of which focus more on forecourt assets. The operators tend to run a mixture of franchise operations and lettings to other brands to provide the required mixture of uses.

Newport Pagnell, Watford Gap in Buckinghamshire and Northamptonshire respectively were the first MSAs, constructed to serve traffic on the then new M1 Motorway which opened back in November 1959. As the number of motorways grew so did the number of sites with them often being a sign of the swinging sixties with viewing platforms and other features not seen in the country before.

Initially, the Government owned and leased out the areas to companies. By 1992, private operators took over, planning new sites and purchasing most existing operational sites.

There were mergers and takeovers and some once household names like Granada and Trusthouse Forte no longer exist.

Motorway service stations in the UK have over 32 million visits annually, which is the equivalent of around one in every two people using the sites. In comparison, Las Vegas has marginally more visitors with 39 million tourists every year.

Originally featuring fancy restaurants and unique designs, service stations are now more functional with durable equipment. In the past, different shops were located on each side of the road, encouraging longer stays and higher spending. Today, most sites with bridges are simply twin sites with the same brands on both sides, and the only reason to cross is if one side is closed for refurbishment.

As such, they are less aesthetically pleasing and some lack the extra customer experience that could add value and dwell time.

The high street and shopping centres have adapted to offer more sensory experiences for shoppers, so too could service stations. With people having to stop for longer to charge their EVs in addition to fuel, food and comfort breaks, are service stations missing an opportunity for higher footfall, longer dwell time and increased spend?

There are a few examples of interesting road services. Leicester Forest East on the M1 for example, has a food hall on the bridge which allows customers to stare down at the very trucks that might have delivered the products for the burger, coffee or doughnut (maybe all three) that customers are consuming at that given moment. Rugby Services, which opened in 2021, has developed a large modern site with an enticing layout and plenty of EV charging facilities. Elsewhere, there are plans for more environmentally friendly sites that will concentrate on a fully 'green' experience. Other innovative designs include Gloucester and Torbay which offer their own spin, with a more 'farm shop' experience rather than relying on coffee and fast food.

Operators are showing innovation, yet older buildings face growing sustainability challenges, particularly with power and energy efficiency. Retrofitting EV charging infrastructure is expensive and typically doesn't generate significant income. This could, however, be offset by longer stays, as people may spend more in retail and leisure facilities while charging.

Services remain popular, and while the UK population favours well-known brands, there's still room for innovation and more choice. The recently opened Welcome Break services at Rotherham (January 2025) could offer a glimpse into the future. Designed to resemble an old British High Street with a food hall, stonework façades, red post boxes and traditional phone boxes, it captures a nostalgic street scene. Hopefully, this innovation will be expanded to other planned MSA sites.

In terms of investment, Moto is owned by CVC Capital Partners and the Universities Superannuation Scheme (USS). The company has been actively investing in renewable energy to upgrade and supply its portfolio of service stations, with seven planning applications currently in progress and one major consent secured for a solar farm. Extra is owned by a consortium of European pension funds and other mid-market infrastructure investors who have spearheaded its new developments.

Welcome Break is owned by Irish operator Petrogas, who recently sold the majority of their non-MSA and MRA sites to EG On the Move in order to focus on new opportunities and enhance their existing facilities.

Going forward, there are a number of new service stations at various stages of planning and development. Key consented sites include Brentwood on the M25 which will feature 100 EV charging points, 400 HGV parking spaces, 831 car parking and 20 caravan spaces alongside two amenity buildings, and Woodplumpton on the M55 in Preston with 391 parking spaces, forecourt, retail and leisure and coach and HGV area. Others at Catterick on the A1(M) in Yorkshire, Ballymena (M2), Bridgwater (M5), Hickling (A46 Widmerpool Interchange), Morpeth (A1) are all in planning stages. Moto opened their new site at Sawtry on the A1(M) in spring 2025.

Planned service areas tend to come in phases and securing planning consent can take over five years such is the raft of policy surrounding infrastructure and the road networks. With an increased focus on simplifying planning for infrastructure, the market is watching to see how this might be fast-tracked and if it will support service stations and the road networks.

TOP CHALLENGES

Length and complexity of planning

Limited investor opportunity due to structure of development and ownership of operators

Design and experience lacking

EV conversion points

Sustainability measures

TOP OPPORTUNITIES

Better asset management and customer experience

Growth of foodstores and leisure on roadside properties

Increased dwell time linked to EV charging requirements

Potential focus on simplifying infrastructure planning process

Sustainability and technology investment by bigger operators

OUTLOOK

↑ Capital values

↑ Rental values

↑ Planning applications

Automotive: Petrol Forecourts

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In the forecourt asset class, 2024 saw some impressive corporate deals that have dominated the headlines. Following their 2023 acquisition of the Co-op portfolio, Asda took almost the entire Euro Garages UK portfolio to further strengthen their position. However, at a similar time to one supermarket expanding, Morrisons was going the other way – disposing of their entire portfolio to MFG. This allowed MFG to further cement their position as the group with the largest number of sites in the UK.

Euro Garages did not sell all of their sites and are already pursuing a significant acquisition strategy, having recently acquired nearly 100 sites from Petrogas/Welcome Break. Zuber Issa has also indicated that he aims to grow the portfolio to 400 sites in the near future. According to the Forecourt Trader Fuel Market Review 2024, there were 17 fewer petrol stations compared to the previous year. However, the actual picture is more nuanced. We are seeing a number of 'new-to-industry' projects and re-openings of old sites, many of which are at various stages of development and could offset the recent closures. While some may still face challenges such as planning, it highlights that the market continues to show signs of expansion and that appetite remains strong for this sector within the wider Automotive & Roadside industry.

2024 saw fewer sites on the open market compared to previous years, and those that have been offered have gone quickly with many disappointed parties still looking to acquire. The appetite for purchase remains far stronger than that for disposals, and the calls for buy vs sale remain at a much-skewed level, albeit perhaps not quite at the 100:1 we saw in 2023.

The bigger operators have continued to look at new builds, seeking opportunities on new roads and where other developments are providing further trading prospects. The need to add other income-generating services, as well as the ease of putting in EV infrastructure from day one, has driven this focus, where conversion can be extremely expensive and still has a long payback period of up to 15 years.

We are also seeing smaller operators looking at the possibility of re-opening long closed sites. These sites might have been closed for many years, and, at the time of writing, we are close to completing a deal to reopen a site that stopped selling to the public over 20 years ago. Why is this happening? Ongoing fuel margins and demand for forecourt services are strong, and sites that may once have been marginal can now be profitable even with the cost of reinstatement when compared to a complete redevelopment.

With a lack of opportunities in the market, we are seeing operators continue to look at how they can work the property assets through other income streams. This could be a major development such as the excellent hotel opportunity above Danny Ahmed's site in Birmingham or simply utilising some spare space for Amazon (and other distribution brands) delivery boxes.

One market that has continued to see growth in the last 12 months is EV charging, with MFG now closing in on 200 sites equipped with charging stations, and the top 50 independent operators now having over 3,000 charging points between them. Not all of the market is as keen to adopt however, and many smaller operators are still operating a wait-and-see policy. We are seeing signs that the market for new sites is perhaps cooling slightly with a reduction in rental rates (per charger) becoming evident.

Within the investment market, demand is likely to remain strong, especially for well-let sites to the largest operators. With interest rates having dropped and forecast to drop further, property investment is likely to remain attractive, offering strong returns for the right sites. For sites let to operators at the lower end of the market, generally the existing use value is higher than as an investment. One interesting trend has been larger groups acquiring investment interests of other fuel groups, perhaps in an attempt to ultimately control more of the market.

The past few years suggest we are likely to continue to see one or two large corporate deals dominate the headlines in the press, but with smaller operators still being acquisitive on sites across the country. We expect that values will continue to remain strong, and demand will outstrip supply as the availability of operational sites will continue to be low. Planning applications will continue on new-to-industry sites, but an increasing quantity will include EV provision which, of course, is easier to put in on new sites than the costlier retrofit which takes away space for dwell spend.

Fuel prices may come down slightly (depending on macro-economic events) in relative terms as operators try to appease government pressure on high fuel prices owing to a lack of competition. This may spark further interest in EV provision as the peak on margins passes.

TOP CHALLENGES

Planning delays on new or converted sites

EV conversions on existing sites continue to be expensive

Supply to meet demand from buyers

Overall numbers of forecourts down year on year

Difficult sites with challenges for developers

TOP OPPORTUNITIES

Smaller operators back in the market and reopening of previously closed sites

Growth of extra income services on forecourts

Foodstore expansions and tie-ups

Demand for EVs

Fuel margins remain high

OUTLOOK

↑ **Capital values**

↑ **Rental values**

↑ **Planning applications**

Roadside: Self-Storage

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The UK self-storage market continues to grow with strong demand from households, businesses and even students.

There are over 1,500 facilities in the UK to date with the average size of circa 25,000 sq ft and occupancy rates stable at around 80%, albeit, short term storage makes up a large proportion of the churn with consumers buoyed by 'introductory' rental offers that then rise after an initial three-month period.

In the UK, the industry is valued at over £1bn having seen demand soar during and immediately after Covid-19, where people wanted more space at home, and to clear room for home offices. The difficulty in the mortgage market also meant that people were utilising more space in their properties, rather than selling which contributed to demand.

Container sites have increased, which has led to prices increasing per sq ft and many self-storage sites are also offering lockers – both for short term use, and for the delivery of parcels from online distributors and retailers such as Amazon.

Growth in the market is particularly evident in and around cities where space is at a premium and the rise of Build to Rent, later living and higher quality student accommodation has led to these groups utilising storage options more frequently.

As with other sectors, operators have made their sites more sustainable – using LED lighting and solar power generation to lower energy costs, alongside automatic lighting and heating variances in accordance with usage. Key operators in the market include Safestore and Big Yellow who, between them, own 250 sites across the UK.

The big brands have been using AI and other technology for real time adjustments to availability, pricing and demand fluctuations which has helped operators keep an agile and dynamic model whilst also improving efficiency and revenue. This will support expansions to property portfolios which will result in positive rents and capital values.

Demand for self-storage from investors is strong. Assets are simple to maintain, with relatively low running costs and strong fundamentals and year on year rental growth. Given lease lengths are typically shorter than other asset classes, there is plenty of room for rent reviews and even asset management. Those that end up staying longer are often because they 'have to' which means that they remain loyal customers in terms of rent, and push into the longer term, higher fixed rate categories which support revenue.

The sector is also anti-cyclical, outperforming other sectors during the storm of economic downturns because of the very nature of its customers. For new investors, it is an easy sector to enter with small facilities and easy expansion opportunities into full-blown portfolios. Within the alternatives sector, self-storage is one of the easier and more transparent markets to understand with operators aplenty that, for the most part, have few challenges and don't make much noise meaning it can almost be operated passively. Yet the growth opportunities are huge with unwavering demand from a wide range of customers. There are some challenges however, such as the impending business rate reforms which are still likely to follow rents and values and, as such, are almost certain to hit the sector thanks to its performance. The changes to local zoning laws per local authority are also to be studied once these are clarified later on in 2025.

Operators are paying careful attention to detail within the running of these assets, particularly in markets where competition is high which may lead to price competition too – at least when it comes to incentives in the initial customer period. Many customers look to upscale or downsize their storage requirements over time, and this needs to be dealt with quickly so not to lose custom and to maintain income (or even increase it). Investors depend on successful operations to maintain or increase the value of the asset and, of course its operator rents.

Clever investors and operators are adding ancillary income to their self-storage sites with cafeterias, post rooms, stationery retail, workspace and delivery services all increasing revenue and supporting any surplus space. Some have even added leisure facilities. Since its origin in the 1960s, self-storage has matured as an asset class and embraced the future and the technology, shifting demand and rampant consumerism the changing UK has brought with it, making it both resilient and innovative. The outlook is extremely positive.

TOP CHALLENGES

Availability of sites for new development

Planning process

Business rate reform

Market competition in locations

Customer awareness – huge potential base that isn't easily targeted

TOP OPPORTUNITIES

Demand for storage from a range of customers

Longer term rental customers

Ancillary income

Resilience to market and economic changes

Low operating costs with high opportunities to add value

OUTLOOK

Capital values ↑

Rental values ↑

Planning applications: because of sites ↓

Commercial

Commercial: Flex

As the UK real estate sector continues to evolve with new focus on the likes of wellbeing, customer service and overall experience, there has become a blending of sectors – with flex establishing itself as a well-used term within the market. Since Flexible Use Class E came in as a use class in planning, many assets have converted easily which has helped the high street to repurpose former premises. Within the context of Alternatives, flex is becoming a term for blended assets such as Flex Living (hotels and residential), Urban Industrial (retail and logistics) and Offices (flexible workplaces). Each one means a slightly different thing and continues to evolve from what were previously seen as more traditional real estate assets.

OFFICE

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Flex offices are core to the current workplace and way of working. Changes in behaviour which were previously seen as a threat to the office sector have actually played a huge part in reviving it over the last 24 months.

Types of flex working range from co-working spaces with hot desks to dedicated desks within larger shared office environments. This enables them to cater to different business sizes and working styles.

Post Covid-19, most businesses have some degree of flexible or hybrid working in place and have reviewed their requirements for office property.

Before Covid-19 flex offices were the answer for start-ups and small businesses only. Today, bigger corporates are taking space – whether for employees to use at their own discretion or whilst longer-term business planning is taking place.

The performance of flex office providers varies notably. Where WeWork went wrong was overextending its leases without the income to support it, financially, the model was irretrievably flawed. Whilst its founder seeks to make a comeback, the successes of others lie in their willingness to understand its occupier base.

A focus on wellbeing, biophilic design and amenities as well as on getting the balance right between socialisation and privacy have proven key for the likes of Spacemade, who recently announced two more key locations in Notting Hill and the West End, to be launched in 2025.

In the West End, one of the top three European locations witnessing a return to the office, flex offices make up typically 25% of office stock. Over 40% of office leasing transactions in the West End were in the flex space in 2024. The market lends itself well to flex, thanks to its central location and diverse business landscape serving mostly smaller companies and teams with fluctuating needs.

The regions have been slower on the uptake of successful major flex offices, though Leeds and Birmingham have welcomed Spacemade, with the same mantra as its 10 London locations and more on the agenda, often repurposing assets and bringing them back to life.

RAPLEYS

INDUSTRIALS

A new series of ultra-urban warehouses is being created to help bring goods to consumers in record time. These are, in essence, logistics assets operating with a retail and even partly office theme in mind. Driven by e-commerce requirements in urban locations to support the supply chain of city centre and high street retailers, these now feature high-tech facilities and amenities to support workers.

Sustainability and wellness are key with many of these assets featuring biophilia and green spaces, on-site gyms and other facilities that are more typical of office buildings.

There are challenges however, most notably the lack of sites in urban areas. The availability of land is constricted, and sites are still expensive which makes new development more difficult; a factor compounded by a significant increase in build costs in recent years affecting viability. Repurposing of existing assets is proving more achievable.

Planning can also be difficult, depending on the type of building, surrounding assets and the nature of their occupiers. For example, on industrial estates you may now see nurseries and daycare next to heavy industrial use and microbreweries which pose challenges for landlords, particularly when it comes to health & safety and insurance.

There is also a case to be made that traditional industrial requirements remain and that, by landlords providing 'bespoke' settings for tenants, they are second guessing what occupiers actually want and need and could be at risk of spending money needlessly if a tenant just wants the four walls and a roof. Hence flexibility is key, in the traditional sense of the word also.

The old days of flat warehousing by the roadside aren't necessarily over, but these new assets represent an opportunity for investors and developers wanting to diversify and/or asset manage to increase value.

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Commercial: Flex

HOTELS (FLEX LIVING)

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The blend of hotels as living spaces continues post-Airbnb popularism, with hotels in the UK offering longer term living options in addition to tourist and other visitor stays.

Some hotels in international chains have adapted to cater to business travellers who can 'live' and 'stay' in any of their hotels in any location which appeals to those that work overseas often and want a standard of excellence for their prolonged stays.

We have of course seen entire hotels let to local authorities to be used for asylum accommodation support and much has been made of this in the media. If Labour is to carry out its pre-election promise to end these long-term contracts, then we will see a significant quantity of hotel space coming back to the wider public, leading to a spike in supply which could cause a challenge to competing assets in the same area. Whether these brands have been tainted by their association remains to be seen.

Hotels are increasingly being used for longer-term rentals, particularly in the higher end of the market, a response to high end Build to Rent entities offering hotel style concierge services and amenities. Now, high-end residences are emerging that are run by hotel operators: The Lucan in Chelsea by Gulf Islamic Investors for example is to be professionally managed by Marriott International.

In Europe, flex living is becoming popular in locations such as Spain where student residences have been developed with hotel licenses, allowing assets to continue earning income in the summer months when students return home. This practice could potentially be adopted in the UK if rental licenses are clarified.

OTHER LEISURE

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Pubs and clubs continue to evolve. Many pubs are now capitalising on event-led activities such as 'all you can eat/drink' brunches and themed nights to capture the imagination of consumers and balance out rising taxation. Clubs are becoming more focused on memberships with the likes of Soho House and The Ned spawning offshoots across the UK mixing pleasure with business and pleasure again.

Sports facilities like Natural Fit are now featuring co-working lounges aimed at capitalising on hybrid workers and rise of entrepreneurs who want to have 'a desk' but on their terms and build their wellness and fitness activities into their rent. With rising costs such as business rates, leisure operators (and owners) will need to continue to be innovative to rebalance cost vs income.

TOP CHALLENGES

- Shorter leases with tenant fluctuations
- Business rates changes
- Lack of clarity on policies
- Confusion at local authority level over flex style assets and use class
- Potential oversupply vs demand with some flex assets – location and offer remain key

TOP OPPORTUNITIES

- Asset management opportunities
- Strong demand from a wide variety of tenants
- Ability to adapt and be agile in line with consumer demand
- Ability to repurpose assets in the future
- Customer experience front and centre

OUTLOOK

- ↑ Capital values
- ↑ Rental values
- ↑ Planning applications

Commercial: Foodstores

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The food store sector has had a challenging 24 months with rising costs, restricted supply chains, restriction of labour and various policy shifts such as NIC, business rates and energy efficiency regulations.

That said, there have been some real performers, showcasing 'best ever results', and a raft of announced expansion plans which shows there is still a lot of life in the sector.

Convenience stores continue to shine thanks to flexible working. Instead of the 'big weekly shop', consumers are shopping locally more often, popping out regularly to supplement their fridges and grocery cupboards. These stores have more flexibility to feature local farm food products which are increasingly in demand by consumers. However, they also face the biggest threat of shoplifting, with a lack of security, 'opportunistic' thefts are increasing. Many of these stores include provision for stolen items and write them off rather than invest in security, knowing that police charges are in the minority.

The foodstore sector has embraced online delivery outlets such as Deliveroo, Just Eat and UberEats which, having previously been seen as a threat to some retailers, now offer a stable extra income stream as consumers continue to demand shopping quickly to meet their last-minute dinner plans or top up their food and drink.

As with some other sectors, operations are key to success. Savvy retailers including Sainsbury's and Marks & Spencer used the period following Covid-19 to review their business structure and get a robust strategy in place to take market share, capitalise on customer wants and needs, and analyse what makes it perform. They have embraced innovation and data and followed the patterns of consumer behaviour.

Sainsbury's has reorganised its business and focused on what drives its success. It has expanded existing successful stores and pursued innovative deals, including the major acquisition of former Homebase sites in out-of-town and edge-of-town locations. This included the biggest retail deal of 2024 in Derby, contributing to a total of 500,000 sq ft of new retail space acquired that year.

They are also embracing a customer-centric approach with stores being upgraded as part of their 'Next Level Sainsbury's Strategy', incorporating more customer-friendly designs and moving away from the previous industrial-style fit-outs. They are also trialling new product ranges and layouts in larger stores, with the aim of rolling out initiatives that see success from the trials.

The tie up with Argos has also seen no fall in revenue for the Argos part of the business but an upswing in footfall and spend in Sainsbury's as a result. Christmas 2024 results saw Sainsbury's take market share and they continue to see a very positive outlook for the years ahead as they continue their expansion plans, based on customer demand and strong locational data.

Marks & Spencer's much lauded 'knickers and snickers' format of having food and essentials on the edge of towns, rather than prime high street locations, supplemented by larger 'drive to' stores in out-of-town locations has worked well. New hires, new products and collaborations have also contributed to success. The brand is owned and operated by retail experts who weren't afraid to move out of locations on the high street that weren't working, and who invested in cost-cutting measures for the longer-term such as energy efficiency. However, M&S has also been struck by issues such as the recent data breach, and it remains to be seen how the share price plummets impact the business going forwards.

Waitrose has benefited from a £1bn investment plan which saw it open its first new convenience store in six years in November, with two more opening in 2025 and proposals to refurbish 20 existing stores. Its owner, John Lewis Partnership also announced plans to invest £600m in its supply chain and store estate. This follows a strong year with sales increasing by 4.4% in 2024, doubling adjusted operating profit to £227m.

On the other end of the scale, Asda has been looking backwards, reinventing older campaigns, hiring ex-colleagues and paying off debtors instead of investing in the future and the customer experience. The results haven't been as strong as a result and confidence in the retailer is waning.

Discount retailers such as Aldi and Lidl continue to perform well, making further gains in market share due to their strong focus on quality produce at affordable

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prices, supported by special deals and unique promotional items. Having trialled new store formats after Covid-19, they have also worked out what's right for them and do not pose a threat to the likes of M&S. In fact, these stores seem to work well on adjacent sites as consumers look for value for money and high-end buys at the same time.

Ocado announced its 'best ever' Christmas in 2024, yet the profit margins and performance underneath the headlines continues to paint a varied picture. The focus on digital and the customer experience is to be admired and for that reason alone many are willing it to succeed. However, the figures aren't there yet, which means operationally there are still issues to contend with. Will 2025 be the year Ocado is finally seen as a success in business model terms?

Tesco continues to deliver robust results and gained market share, particularly during the Christmas 2024 period. However, in our view, it remains positioned in the middle ground for the 2025 outlook, as customers increasingly split their shopping between premium and discount retailers.

The Co-operative reported strong figures in 2024 and continues to do well from its model which allows to cater for local tastes rather than operations being centrally led. It is another brand that publicly wants to grow but will, like many others, face increasing pressures with the headwinds of 2025.

Looking to the future, nearly all food retailers have announced expansion plans. The Co-op has stated it will open 75 new stores in 2025. However, given the constraints of time, only a limited number of stores can realistically open within 12 months. These will likely include their roadside offerings at service stations and forecourts over new physical stores.

Aldi has planned 30 new stores as part of a £650m investment, but due to planning considerations, not all of these may come to fruition. Lidl has eight new stores to open this year, followed by 40 more in 2026 which seems a practical plan given its current pipeline and having reassessed all sites in 2024. Given this is aggregated over their three-year plan, the numbers add up.

Morrisons plan to open 400 more convenience stores in order to compete with Aldi and Lidl. This is an optimistic view set by a large ownership company that may be out of touch with on-the-ground practicality. They may be taking this position to keep positive for a potential later sale and keep investors happy in the meantime. Farm Fresh had previously committed to big expansion plans but whether these continue throughout 2025 shall remain to be seen. Over the last two years, they picked up sites at lower rents but if other brands do indeed 'come back to the market' they may find it more difficult to compete.

Whilst it's good to see brands 'returning to the market' there is a lot of rhetoric and the reality is that for many, the figures won't be practical. Good news and intentions but practical headwinds such as NIC, business rate changes and ongoing energy costs together with build costs, labour supply and trade tariffs will prove challenging.

TOP CHALLENGES

Rising costs from NIC, business rates and construction

Limited retail expertise among some owners

Store planning faces complexity and delays

Increase in shoplifting incidents

E-commerce remains strong and continues to grow

TOP OPPORTUNITIES

Growth in tech and retail innovation

Rising demand for convenience and local shopping

Stronger integration of online and in-store experiences

Growing emphasis on customer experience and insights

Local offerings meet demand for locally sourced products

OUTLOOK

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Infrastructure: Data Centres

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The UK data centre market is experiencing robust growth, driven by cloud computing adoption and AI advancements, and is currently valued at around £8bn with an average rate of growth of 5.21%.

The UK has around 520 data centres, mainly near London and major cities, including smaller, older assets that need upgrades to meet the demands of growing enterprises.

This number of operational data centres is not nearly enough to serve current demand, which is showing no sign of wavering from investors and occupiers alike. High-profile businesses such as Google have stated that the UK is at risk of being left behind on the global market when it comes to AI and other technologies. The US, for example, has over 5,000 data centres – with most being purpose built and modernised, whilst Germany is also marginally ahead of the UK.

Demand is increasingly driven by Cloud Computing, AI and other emerging technologies and digital transformation (both private and public). Major data centre providers including QTS Data Centers, Vantage Data Centers and Equinix support a raft of businesses in the City. However, the likes of Amazon Web Services (AWS) are now investing heavily in their own UK data centre infrastructure, with AWS in particular announcing plans to invest $10bn over the next five years, and likely to be followed by other similar organisations.

As such, data centres look to be poised for unprecedented growth, with many thinking the predicted combined value of £15bn by 2030 is low. Experts see the market as having the potential to contribute an extra £44bn to the UK economy by 2035. Certainly, the Government seems to agree on paper, with support shown in a number of key announcements and speeches so far, including the latest version of the NPPF and the Planning & Infrastructure Bill, whilst several high profile planning appeals have been overturned in favour of Data Centre development.

For example, data centre projects worth £14bn have been announced as part of a new AI action plan launched by the UK government. Angela Rayner has already overruled local planning concerns to give the go-ahead for a data centre campus in Iver, Buckinghamshire: a site previously blocked by the Local Authority as an inappropriate development on green belt land.

Currently, London is the largest of Europe's tier-one FLAPD market (Frankfurt, Amsterdam, Paris and Dublin being the others). As the gateway to Europe, London is seen as the main location for providers able to service a large range of domestic and regional customers from Western or Eastern Europe and even New York.

Like other sectors, the UK is seen to have less regulation in comparison to other international centres. The reality is, however, that challenges remain.

A negative perception is one such challenge. Part of this is because other utilities providers have not kept up their investment into their own infrastructure. Water and electricity companies, for example, are required for data centres to function but the latter needs considerable forward financial commitment to secure this future supply. This needs to happen well in advance of any planning engagement and we all know the challenges of electricity and water supply and how it is affecting housing, let alone more atypical development like data centres.

Similarly planning legislation was largely formed with residential in mind and the Government has made no secret of the fact that housing is the key focus. For data centre developments to vie for sites against housing developers is near nigh impossible.

A lack of understanding at local authority level also hinders the success of these developments – not to mention the fear stemming from misinformation and limited public knowledge. Local communities often oppose what they perceive as electricity guzzling metal boxes linked to 5G, preferring not to have them nearby.

Whilst data centres have been added to a 'Critical National Infrastructure' list of just 14 types of development, it has no specific use class and doesn't, therefore, come high in the list of allocated development sites in local plans. This is understandable – the idea of identifying data centres as a separate use class and having local authorities identify this particular development type may cause further confusion over what is in delivery plans and refuse development if not allocated. Perhaps a better solution would be for data centres to be identified in local plans as critical infrastructure as the ‘fifth utility’ with a presumption to approve them.

Currently, data centres are classified under Use Class B8 (storage and distribution), which typically allows them to be located in industrial or commercial areas. However, in London and the South East, local authorities increasingly view data centres as low employment generators. As a result, local authorities often respond to the “inert box” perception of data centres by seeking the provision of affordable workspaces to help generate additional employment opportunities. The fact that such workspace cannot be integrated into a data centre building due to strict security and insurance constraints is frequently overlooked. Moreover, in areas where land is scarce, it is often not feasible to provide this space separately on-site. Consequently, this requirement acts as an additional policy burden – or a de facto “policy tax” – on data centre development.

To further improve understanding, the industry needs to develop the narrative around what benefits a data centre delivers and how much modern society and business relies on digital infrastructure, digital connectivity and data centres to operate and function.

Whilst London continues to be the core market in the UK, there has been a definite shift outward – and not just in the South East. A lack of sites and power issues mean that London cannot deliver the growth needed in the UK on its own. We are likely to see core data centres with lower power density, driven by AI, based largely in London. After all, with co-location requirements still strong (office and data centre leased by one occupier on the same site) this makes sense, but the larger new developments will have to be found further afield.

One fast growing hub is in the North, with Newcastle, Manchester and Liverpool powering the sector forward and using their substantial reserves of renewable power at the same time. This not only benefits the UK as a whole by easing the pressure on London and the South East, but also strengthens innovation and sustainability in the sector. Until now, these areas have been somewhat neglected, largely due to outdated legislation that failed to account for the unique complexities of data centre developments – resulting in numerous planning challenges. Another hub emerging fast is that of the East Midlands where significant investment in data centres has been seen in Leicester and Nottingham and the surrounding areas.

On the sustainability front, due to knowledge and insight on the sector increasing, there have been innovations here too – particularly when it comes to the adaptive reuse of existing assets into data centres. There have even been heritage buildings converted into data centre usage which wouldn’t have been envisaged, let alone feasible, two to three years ago. As such, challenges that were almost impossible to overcome previously, are looking more manageable as the sector adapts and evolves.

Looking ahead, the Government needs to be careful not to overregulate the industry, now that it is in the spotlight, as this could hinder its growth. We need to enable the sector to innovate and make it attractive for UK inward investment in comparison to other European countries.

As with other alternative asset classes, a greater understanding and classification of data centres is required but there have been positive signs from the Government that they are on the case in the meantime.

TOP CHALLENGES

Network infrastructure struggles to keep up with demand

Sites not allocated in local development plans

Data centres affected by environmental legislation unfit for the sector

Slow planning process

Post-Brexit visa restrictions and immigration uncertainty hinder skilled overseas workers and affect post-graduate talent retention

TOP OPPORTUNITIES

Investment interest continues to grow

Government support is present, though faster legislative action is needed

Asset knowledge has improved, with heritage buildings repurposed

Emerging hubs outside London attract investment, leveraging renewable energy

Rising AI adoption boosts demand for data centre capacity

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Infrastructure: Renewables

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The renewable energy sector has received much attention and support following the Government's commitment to GB Energy and its renewed pledge to achieve net zero by 2030. If this target is met it will make the UK the first major economy to reach this milestone.

Consequently, there are numerous opportunities for investors seeking portfolio diversification alongside attractive returns. These opportunities are, however, principally suited to patient capital and forward-funding strategies. Notwithstanding the significant reforms being proposed in various Parliamentary Bills, the investment landscape remains complex and challenging, as many practical aspects associated with scheme delivery remain unclear.

The five-year energy plan, announced by Labour within their 2024 election manifesto, (the 14th renewable energy plan across various governments in recent years) sets out an aim for Clean Power by 2030, accelerating renewable energy development (in particular onshore and offshore wind), investing in grid infrastructure and enhancing support for flexible technologies to enable the transition to clean power.

At present, the strategy still lacks full cohesion, although there is clear intention to integrate it more effectively through the Planning & Infrastructure Bill, the Industrial Strategy, and further changes to the National Planning Policy Framework.

The main challenge is that there are many variables that need to align to ensure that this strategy can be realised. Generating electricity from renewable technologies requires a National Grid that is fit for purpose, to ensure that this electricity can be efficiently transmitted and delivered where it is needed. Battery storage can help in the shorter term but provision for this remains piecemeal. Innovation and digital technologies are central to the Government's Industrial Strategy. The first meeting of the newly established AI Energy Council was held in early April (2025). It was co-chaired by Ed Miliband, Minister for Energy, Security and Net Zero, and Peter Kyle, Minister for Science, Innovation and Technology. Participants included the National Energy System Operator (NESO), EDF, Scottish Power, National Grid, Ofgem, and major tech firms such as Microsoft, Google, ARM and Amazon.

The Council is actively developing recommendations that will inform both the National AI Strategy and the future of the UK's energy landscape. It is seen as vital in supporting the delivery of the UK's Clean Power Action Plan, which outlines steps toward decarbonising electricity generation by 2030. One of the foundational reforms announced in alignment with this plan is the overhaul of the UK's outdated grid connection process.

To support this ambition, the Government launched the 'AI Growth Zones' initiative as part of the AI Opportunities Action Plan in January (2025). These zones are strategically located areas which are set to benefit from streamlined planning approvals and enhanced access to grid infrastructure. Each zone will require a minimum power capacity of 500MW to facilitate the rapid development of data centres, which are essential to driving forward AI research/technology, digital services, and economic innovation. It is understood that over 200 local authorities have expressed interest in becoming AI Growth Zones.

In parallel, the Government has also been working closely with Ofgem and NESO to implement fundamental reforms to the UK's grid connection process. These reforms aim to unlock over 400GW of capacity, which is currently delayed, in the connection queue.

Labour has also continued to outline the importance of expanding both onshore and offshore wind turbine electricity generation as part of the UK's energy strategy. Whilst this potentially represents one of the most immediate ways to increase electricity supply, the planning consent process continues to be a significant hurdle to schemes coming forward. In politically stable constituencies, these schemes should progress expediently. However, in more divided or contentious areas of the UK, the Government will likely face opposition and could risk support by steamrolling proposals forward that are met with negativity. Concerns persist over safety and visual impacts associated with this type of infrastructure. This echoes similar concerns about the rollout of 5G masts – despite there being strong public demand for improved connectivity.

In contrast, public demand for solar panels remains strong, from those who want cheaper energy bills, and those who can gain grants and support for installation. We have also seen huge demand for solar farms adjacent to roadside property to power electric vehicle charging facilities for private motor vehicles and Electric HGVs. We are advising on over 70 planning applications in this area, with the first approvals secured and construction work beginning. We expect to see more of this activity across the UK and by an increased number of organisations.

A total of 27 hydrogen powered projects have recently been shortlisted as part of the Government's efforts to reduce emissions and create thousands of jobs in what the Government calls 'the UK industrial heartlands'. These projects are currently under review in the Government's Second Hydrogen Allocation Round (HAR2). They include the usage of hydrogen for new, clean power generation, glass and brick manufacturing, and the production of sustainable aviation fuel. The Government estimates that this programme could attract up to £1bn of private sector investment by 2029. It has already attracted approximately £400m of investment in Wales and Nottinghamshire, resulting in the creation of 700 new jobs across construction and operations.

Labour has reaffirmed its commitment to the completion of Hinkley Point C and has indicated plans to ease planning regulations for small nuclear modular reactors (SMRs). This would remove existing planning barriers and open the possibility for SMR deployment across a wider range of locations, and beyond the eight locations the previous government had allocated. Nuclear power once accounted for approximately 25% of the UK's electricity supply. Today it contributes around 15%, with no new plants brought online since the 1990s and many older reactors set to be decommissioned within the next decade.

SMRs are often referred to as mini nuclear power stations. They are a more compact and cost-effective alternative to traditional nuclear power plants, although they produce much less power. These projects are attracting strong investor interest and recent Government reforms intend to streamline the regulatory process, facilitate site identification, and support the development of SMRs in a wider range of locations.

Planning reform is essential to accelerating the development of wind, solar, hydrogen and nuclear energy projects. In addition, investor appetite in these sectors remains strong. However, without sufficient connectivity to the National Grid, the electricity generated by such developments cannot be effectively utilised and harnessed.

TOP CHALLENGES

Delays in grid connectivity threatening the viability and deliverability of new developments

Public opposition towards certain renewable and alternative energy schemes

The ageing and inadequate state of the UK's grid infrastructure limiting scalability of energy projects

The National Grid is operating near capacity, meaning continued reliance on energy imports in the short/medium term

Lack of widespread, long-duration battery storage solutions capable of supporting renewable energy projects

TOP OPPORTUNITIES

Strong private sector appetite for investment in renewable energy development

Clear Government support and policy momentum for renewables

Proposed planning reforms which are expected to prioritising renewable development

Advancements in AI and digital innovation supporting the sector

Acceleration in hydrogen power technology innovation opening new possibility for clean power and fuel alternatives

It remains the case that an urgent nationwide upgrade of grid cables and connectivity infrastructure is required. This represents the only viable long-term solution to reduce grid connection waiting times, which are currently a significant barrier to new development. As the Government is targeting the delivery of 1.5m new homes within the next five years, the UK energy system may struggle to meet future demand unless this critical infrastructure is upgraded.

In the meantime, NESO is set to publish the Strategic Spatial Energy Plan in 2026, which will aim to speed up project delivery and reduce overall system costs, which could in turn bring down bills for consumers. The Plan will provide a blueprint for the UK's future energy strategy. This represents an important step in the strategic and joined up approach proposed by the Labour Government.

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Infrastructure:
Transport & Infrastructure

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2024 and 2025 have seen significant advancements aimed at supporting strategic transport, infrastructure and thus broader economic growth. Many of these initiatives are also aimed at supporting growing housing delivery targets as the topics are inextricably linked.

Utilities are key for all types of development, and transport and infrastructure support placemaking as well as their specific purposes in their own right.

In transport, plans include creating a long term national transport strategy focused on greener and more efficient systems, integrating public transport with active travel measures while aiming to double the mode share of rail by 2035. These strategies align with housing needs by promoting connected and sustainable communities. Proposed initiatives include prioritising the electrification of railways and the transition to low-emission buses; improved infrastructure for EVs; focused upgrades in urban mobility to include bus rapid transit systems and metro style expansions to improve connectivity for suburban housing to the cities they neighbour; and the integration of mobility hubs to combine public transport, cycling, car sharing and other active travel measures.

The advancement of regeneration areas around transport hubs should also be considered, as over-station development and brownfield sites are set to be fast-tracked under the Government's revised NPPF and Planning & Infrastructure Bill.

Key projects include energy security including offshore wind farms and upgrades to energy grids to support housing delivery through ensuring reliable utility infrastructure. Upgraded energy grids and potable water networks are key to ensuring the viability of housing delivery. Decentralised energy systems such as community solar and microgrid technologies are also encouraged for local generation and storage solutions all aimed at the transition towards net zero alignment. District heating is also an efficient and sustainable solution which helps developments save electricity and reduce overall energy consumption by using waste heat from areas such as renewable energy sources, distributed to buildings through insulated pipes. This system significantly reduces the need for individual electric heaters, lowering electricity demand and improving energy efficiency. The Nationally Significant Infrastructure Projects (NSIP) Government action plan aims to introduce a fast-track process for critical utility projects. Private investment is also being encouraged through infrastructure playbooks to fund large scale utility projects while ensuring alignment with national housing and industrial strategies.

Wider infrastructure initiatives including waste and wastewater infrastructure are critical measures with plans in place to include reforms to accelerate the implementation of these projects. Flood resilience and flood defence projects are also a key component. Housing is, in itself, critical infrastructure for economic growth. The proposed reforms to the NPPF aim to streamline housing delivery by addressing bottlenecks in planning and aligning policies with broader infrastructure goals. These include the proposed fast-tracking of large-scale projects, particularly those classified under the NSIP process, to reduce delays in securing permissions for enabling infrastructure that underpin housing growth; improved policy alignment to provide a greater emphasis on integrating housing delivery with regional transport; and utility strategies to aid local authorities in local plan making. This supports the 15-minute city concept where new developments are within a short commute of essential services. There is also a reinforcement of the need for local development plans to address the social infrastructure needs of communities including education, healthcare and green space etc. and to ensure phased delivery in support of these goals, together with the prioritisation of brownfield redevelopment and community-led housing initiatives, streamlining approvals for affordable and sustainable projects.

How these all link together in a 'bigger picture' scenario remains unclear. The National Infrastructure and Transformation Authority, created in April 2025, brought together the National Infrastructure Commission and the Infrastructure and Projects Authority as a public agency advising government on infrastructure delivery and improvement. There have been attempts to join everything together and lots of progress is expected but any development projects need to be de-risked from day one and knowing how these initiatives marry up is crucial to be able to do so.

Utilities, for example, are currently one of the biggest source of delays when it comes to connectivity – whether electricity, water or even broadband. If these aren't planned into development strategies, programmes and engagements made with the relevant third parties from the beginning of the development, they will undoubtedly cause delays to projects which will impact delivery – from being costly from a timing perspective or, worst case scenario, affecting viability of the scheme altogether.

While much focus is placed on electricity and the Grid, with 'green energy' placing more pressure on the Grid and associated infrastructure (see 'Renewables p42-43), more recent rising concerns lie with water supply and cost.

The UK's water systems, some of which are aging, require substantial investment for maintenance and upgrades. This includes improving resilience against climate change, such as better flood protection and water treatment solutions.

With extreme weather conditions, from droughts to heavy rainfall, water companies need to spend more on infrastructure to manage these changes effectively. The pressure on water treatment plants and sewer systems increases, which often results in higher costs for consumers.

Similarly, with the Government's push for improved environmental performance, there is growing demand for water companies to reduce pollution and enhance sustainability. These regulations often come with additional costs that need to be reflected in pricing and will no doubt be passed down – contributing to a likely 26% average cost increase in the next 12 months.

In addition, as the UK's population continues to grow and cities expand, there's a greater demand for water and sewage services. This drives the need for larger, more robust systems, which in turn increases the cost of provision.

At the same time, attention in the media has turned to the water companies, which lost a combined 1 trillion litres of water over the last 12 months thanks to leakages alone – reinforcing the need for costly upgrades. Whilst more efficient use of water is more easily controlled by the consumer once connected, its supply – together with sewage services – remains largely in the hands of the utility providers. Government is being urged to take more action which will be crucial.

The Government will no doubt move on with its infrastructure initiatives but, in the meantime, developers and town planners should look to pre-empt utilities and connectivity issues as part of their infrastructure planning whilst seeking robust advice on how the initiatives will impact development and planning more widely.

TOP CHALLENGES

Delays linked to utilities generally

Lack of bigger picture thinking despite many central initiatives aimed to support the sector

Rising costs of utilities and dwindling budgets

Ageing infrastructure for all utilities requiring significant investment, with costs passed on

Focus on sustainability at the expense of practicality in some cases

TOP OPPORTUNITIES

Raft of initiatives announced by Government to support the sector

Enhanced planning measures to cut delays in transport and infrastructure development

Investment in electrification and greening of infrastructure and utilities

Greater support for regeneration on brownfield sites around transport hubs

Utilities strategy experts supporting housebuilders and other developers

OUTLOOK

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Rental values ↑

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Health, Science & Education

Health & Science: Dentists

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The UK dentistry market has seen marginal contraction over the last five years overall, however it is expected to grow by up to 20% for the next five, driven by a greater focus on health and wellbeing and the growing demand for cosmetic dentistry.

While one third of all dentists offer NHS treatments, 9 out of 10 nationwide are not accepting new NHS patients. According to YouGov, access to dentistry was the third most pressing local concern before the General Election, following only affordable housing and the state of the road network. It ranked higher than issues such as crime, shops, public transport and education.

The demand is there and thus so is the opportunity, but this is almost wholly in the private sector where independents make up the overwhelming majority of practices in the UK. Only 15% of practices are owned by bigger groups and so an increase in mergers and acquisitions over the next few years is almost a foregone conclusion.

Activity in this vein has already risen. In the last year or so, some £750m of transactions have taken place, 90% of which were for purely private practices or mixed, and the growth in transactions for private dentistry alone was over 150%. A recent survey, cited by a number of dentistry journals, said that 60% of investors identified dentistry as a growth focus over the next two years and some 94% of banks forecast that their lending to dentistry would increase.

With the sector currently valued at £7.7bn, a projected 20% growth over the next five years presents a significant opportunity for larger corporates to enter the market, bringing investment in equipment, research, and smarter premises that reflects the growing nature of customer demand (and need).

Public dentistry practices are struggling with several core challenges and a Dental Recovery Plan was launched in 2024 which has received widespread scepticism. Whilst all practices are facing dental inflation (up 9.2% in 12 months), higher utility costs (10%) and 15%+ rises in staffing and lab costs, it is the NHS side that feels it most. The recent NHS contract uplift of 4.64% is effectively a real-time pay cut and with high profile leadership changes at the General Dental Council, it is little wonder why private practices are thriving.

This is particularly good news for investors seeking new practices, who see the fundamentals of the sector as strong, alongside the opportunities to back experienced private practices rising. There are some 12,000 dental practices in the UK, a rise of 3% on 2024 but this could be set to rise further in 2025 and 2026 as a result. When it comes to dental properties, the picture is positive as consumers, wounded by the failure of notable 'online' brands such as Smile Direct, are turning back to physical appointments for cosmetic procedures such as whitening, braces (Invisalign) and bonding.

Competition and innovation in the supply of such treatments have helped to make pricing more accessible, relative to five to ten years ago, despite the strong inflation for dental equipment and materials. The ability to pay for works via payment plans has also meant that the cost seems lower, even if not actually the case. One third of people under 35 are thought to have had cosmetic dental treatment in the last 12 months, spending on average over £3,500, whilst 10% of those who had treatment between the ages of 25 and 34 are estimated to have spent over £25,000.

As such, cosmetic and ortho dentists are more prolific than ever on the high street outside of Marylebone and, more specifically Harley Street. Brands such as mydentist are expanding at a rate of knots, investing more than £50m a year into its practice network – digital technology, IT infrastructure, practice refurbishments and expansions and building new state-of-the-art facilities, with the most recent new practice openings in Berkhamsted and Chesterfield in March 2025.

Cosmetic dentistry at the 100 largest firms in the industry alone topped £1bn in 2024, helping the industry valuation reach £7.7bn.

With an average size of 2,000 sq ft, repurposing former retail assets has become a key strategy for acquisitions and openings. Other high streets are following the example set by Harley Street, where prime locations near parking and high foot traffic have helped practices thrive, enhancing both visibility and accessibility.

Whilst location is increasingly important when considering dental real estate, so are other factors which can increase the cost of fit-out and operations. A good layout is essential for staff as much time is spent in treatment rooms, whilst the front reception needs to be welcoming and reflect the brand. For cosmetic dentistry in particular, customers have high expectations of a positive customer experience and know they're in good hands, after all that's why they are paying.

When repurposing existing assets, it is crucial to plan the functionality of the space in advance. Equipment like X-ray machines, which emit radiation, requires careful consideration to ensure the building's structure meets safety standards. A thorough understanding of Care Quality Commission Standards is essential, as these regulations must be adhered to by dentists. There is no standard approach to health and safety fit-outs; these must be carefully designed and proven viable before any new lease or ownership. Expert advice is crucial.

Challenges in the supply of labour also remain. It takes 12 years to train as a cosmetic dentist and seven for most general dentists. Three new dentistry schools have been set up in the UK recently but, with investors now interested, it is clear that transactions will fall mostly in the acquisition of private practices.

Dentist practices are also not evenly distributed. Clusters in more affluent locations cause competition, whilst some areas of the UK have a 'dental desert' with trusts such as NHS Norfolk and Waveney seeing some 2,776 patients for every one NHS dentist – far exceeding the national ratio of 2,342 per dentist. This social disparity has received media attention with stories of new practices opening to queues of people, some who had been there since 4am to try to receive free dental care. Whilst those who do visit the dentist regularly do so once a year on average, the appetite to look after one's smile is what's leading the charge for private practice.

It's little wonder therefore why some Brits travel abroad for cut-price procedures and have a holiday at the same time. As such there is also an opportunity to invest in new locations, but will the pricing be accessible enough to garner the demand required? There's a careful balance that investors will need to consider seriously. The need, however, is there.

TOP CHALLENGES

Inflation of materials, utilities, staff and lab costs

Dentists leaving the sector to retrain in other specialisms, or go part-time

Upheaval in the General Dental Council

Affordability for families with rising pressures

The current distribution of dentist service provisions

TOP OPPORTUNITIES

Continuing demand for cosmetic treatments

Ability to repurpose existing assets to dentistry

Investor interest in backing private practices

Innovation and technology will continue at pace

Preference for physical dentistry

OUTLOOK

Capital values

Rental values

Planning applications

Health & Science: Labs

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The UK life sciences market continues to evolve quickly with investment showing no signs of slowing. 2024 saw £2.84bn spent on labs, the second ever highest year following 2021, immediately after Covid. This represented a 30% rise on 2023 figures.

Whilst most activity continues to be centred around the ARC (London, Cambridge and Oxford), other hubs such as Manchester, Liverpool, Edinburgh and Glasgow have been growing, focusing on digital manufacturing, biotech, data and health technology.

Today the sector is worth about £90bn of UK GDP, and the Labour Government has reaffirmed its commitment to the opportunities it brings.

In its paper 'A Prescription for Growth', the Government outlined its plans to reform the Life Sciences Council, which now sits under the Industrial Strategy Commission and was named as one of eight growth-driving sectors that the National Wealth Fund will focus on.

However, there is still a general sense that life sciences underperforms against its potential, particularly when it comes to investing in spinouts which have the potential to grow much faster. Venture Capital investment doubled in recent years across Europe, led by the UK. However, when it comes to spinouts, only 40% of private investment was raised by UK firms, which means overseas capital is nurturing the next would-be unicorns. The Life Sciences Innovative Manufacturing Fund was boosted with a £520m injection to drive MedTech initiatives, whilst the sector waits for the June Spending Review which should shed further light on what segments are most promising and will be accelerated. In the meantime, the sector needs a focus on attracting institutional investment. Only 4.4% of UK institutional portfolios have targeted the sector, against 10% in other countries. Yet the fundamentals are strong.

4 of the top 10 global Life Sciences universities are in the UK, whilst Cambridge, Imperial and Oxford rank 3rd, 4th and 5th internationally for spinouts and investment in UK spinouts overall has reached over £5bn.

The Government is seeking to reduce universities' stakes in spinouts to around 10% from a current average of 24.5% through reform to capital markets, aimed at bringing in more private and institutional investment.

With such a structural change, it runs the risk of spinouts losing much-needed funding from a reliable source in hope of greater swathes of private capital filling and surpassing the gap left.

In theory, private capital would enable spinouts to grow faster: they can find their own lab space earlier and take their patent to market which is crucial to capitalising opportunities that present themselves.

The Government has stopped short, thus far, of incentivising such investors with tax breaks, which the sector believes would be the right move to change the dial effectively.

Other challenges also needed to be overcome. The UK's compliance and regulatory framework remains complex and, since Covid-19, has been run through the newly created Medicine & Healthcare Regulatory Association, stepping away from its previous mirror of the associated framework of the European Medicines Agency. Then there is the ongoing lack of clarity regarding the future of visas for STEM students, many of whom left the UK post-Brexit. If the UK is to maintain its global position, we have to go on attracting the best and brightest talent – from across the globe. Certainty is everything.

RAPLEYS

When it comes to lab space, the issues lie more with new sites. The ARC, despite having a handful of meaningful developments in the pipeline, has little space and that which comes to market is often pre-let or leased immediately if speculative. Adaptive reuse and conversion has become key with the likes of the Grafton Centre in Cambridge, repurposing from a shopping mall to almost exclusively dry laboratory space under developer REEF.

Certainly, London has seen a number of lab-focused developments forge ahead. Most notable are the sites around St Bart's Hospital where the Whitechapel cluster is set to advance with the first site receiving planning consent at Cavell Street by investment manager and developer Lateral. With sizeable schemes at Kings Cross (including Tribeca and Regent Quarter by Kadans and Endurance Land/Nan Fung respectively), Canary Wharf Group's JV with Kadans and British Land's Canada Water scheme, there can be no question about London's ambition to become a centre of global science excellence.

Many of these schemes are focusing efforts on grassroots SciTech education and placing value in making positive contributions to local communities which is admirable for the future of the practice. Some have also realised that scientists, too, are people and like to eat out and socialise and hence have placed amenities alongside retail and leisure to benefit from a captive new audience, challenging the traditional view of how scientists behave.

It's easier to develop life sciences schemes in 2025. Gone is the outdated notion that science only means test tubes, Bunsen burners and volatile chemicals. With the advance of tech, robots and AI, most new labs are focusing more on 'dry space'. Whilst some attribute these fit-out needs to be like those of offices – and in terms of co-working and accessible labs, this may be truer – the power needed for operations working with large robotic machinery and utilising bulks of data is far greater, and there are specifics to consider such as weight and power within a building's fabric. Adaptive reuse aimed at this type of work will need to be planned out meticulously to ensure they are fit for purpose.

For these cases, the fit-out will be bespoke, just as a wet lab would be, aimed around the tenant's intricate needs and wants. It's too easy to assume an office can become a lab without significant investment given the different target occupiers and that's where investors and developers need to be careful.

Building in flexibility for the future is key when it comes to looking ahead at a longer-term investment horizon for these assets as the sector is fast evolving. Despite the onslaught of stakeholders in the market, those with genuine life science asset experience remain thin on the ground and so for new investors, it is crucial to partner with the right advisers who understand the nuances at each stage and can pre-empt challenges (and opportunities).

The life sciences wave therefore continues and interest remains high, but the real estate will have to adapt to evolve along with it and future gazing 10, 15, 20 years onwards will become increasingly important along with the attraction of the elusive institutional funding to capture the future unicorns and support them with fit-for-purpose infrastructure.

TOP CHALLENGES

Regulatory reforms and compliance challenges

Immigration and visa uncertainty impacting talent flow

High site values

Limited institutional investment

Spinout growth facing constraints

TOP OPPORTUNITIES

Strong investment and government backing for life sciences

Growing expertise in adaptive reuse

London rising as a global life sciences hub

AI and innovation driving continued sector growth

OUTLOOK

Capital values
thanks to more supply in the pipeline

Rental values

Planning applications

Health & Science: Sport

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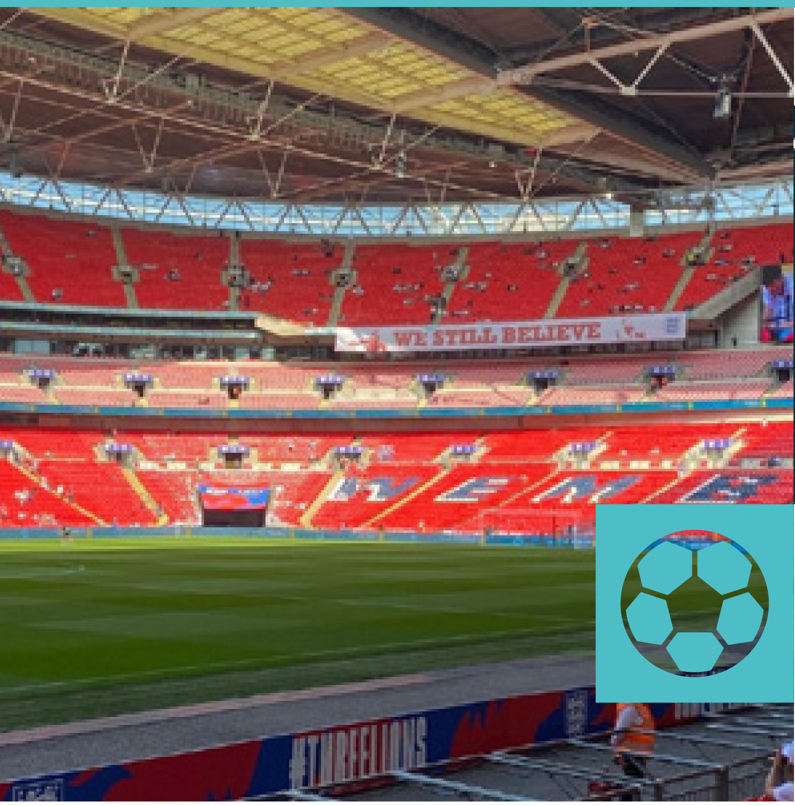

The sports property industry is hugely polarised. On the one hand you have the ongoing saga about whether Manchester United will be able to develop its new £1bn stadium, replacing the Theatre of Dreams, beloved by fans all over the world. On the other, you have the need for educationally-linked, grassroots sporting facilities that may, or may not, be government funded.

One thing they all have in common, hopefully, is, positive community impact.

The UK is recognised globally for sporting property – the Wembley arch, the Olympic stadium and its ensuing legacy, Centre Court at Wimbledon, the Allianz stadium, and these days, Wrexham Football Club – the world is watching.

So, what do we need to take into consideration in order to have the infrastructure that continues to support UK sport on the global stage for fans, businesses and media deals alike?

Customer experience is, for the venues themselves, core. As such, facilities need to be as good as possible, with the design of everything from Royal Boxes to toilets requiring detailed thought. Circulation and wayfinding are key also – ensuring the flow of people through an area, making the most of the space and the retail/food offers to maximise spend at the same time. The All England Lawn and Tennis Club has been upgrading its facilities for several years with new wayfinding, crowd control and catering areas amongst other changes. The Club is also proposing a significant expansion of its grounds, with new grass courts, increasing capacity of around 20%, to meet the seemingly unwavering demand for tickets.

Whilst a lot of thought goes into the physical experience for fans and employees of sporting property, digital and media strategies are also crucial to drive revenue. Increasing numbers of sporting clubs are using digital apps to drive demand, merchandise sales and customer loyalty which, in turn, enhances customer experience, both at the venue and away from it.

Even the highest profile, most immaculately kept grounds (like Wimbledon) need to keep up with demand. Back to Manchester United, who recently announced they are building a new 100,000 seat stadium to replace Old Trafford.

Football stadiums are notoriously hard to plan from scratch – ask Everton who will finally move to its new 58,000-seater stadium in August 2025, almost 30 years since the decision was initially raised by its former chairman. It did however only take four years to build, so the delays are mostly related to site location and planning. Whilst the proof will be in the pudding, the planning timescale is something which the current Government seems keen to address for large infrastructure projects. After all, these assets bring with them many positive social impacts to local neighbourhoods, often including housing and educational facilities.

In terms of personal fitness, much focus has been placed on gyms in the UK, with several trends emerging post Covid. Firstly, there's the focus on wellbeing and work/life balance, with many spas and leisure facilities renovating to include co-working space, leveraging the hybrid working movement and rise of start-ups and sole traders. Entrepreneurs can get their dose of social interaction, fitness and leisure whilst being able to hot-desk for a lower fee than flex office set-ups.

Secondly, gym operators such as Body Fit Training from Australia are taking the market by storm, with a science-led approach and efficient operational structure. They are class focused and, as such, do not open 24 hours like other outfits. With this targeted strategy, they have opened several locations in and around London and recently branched out to Glasgow and Leicester. Other gyms are opening in converted premises, from smaller studios in railway arch properties to adaptive reuse of anything from former church properties to obsolete retail. Gyms are set to continue to be an in-demand asset for investors and operators over the coming years.

But sports assets are not all about famous brands or large fan experience-led assets. Public sporting facilities are also in demand, whether linked to educational facilities or community-led operations.

Sporting assets have also been in demand for a wider demographic. The rise of netball, pickleball and padel tennis in recent years has led to specialist assets being developed and women's football continues to go from strength to strength.

Football and rugby programmes are being set up as 'academies' linked to schools – both private and public. Ancillary income can also be gained from investing in the latest 4G layouts that can then be hired out to local sports clubs and academies after hours, or in the holidays to recoup costs, often upwards of £1m.

Surplus land is another way to increase the value of sporting assets. Golf ranges and leisure complexes have seen a rising demand for padel tennis, for example, which has a complex fit-out with glass walls and can cost up to £80,000 per installation. However, with hourly rates up to £80ph, this is another lucrative venture, especially with the hire of equipment added on.

The phenomena of cold-water swimming has taken off post -Covid with a focus on the health benefits covered widely. Savvy operators and investors of property with natural water sources are able to leverage such assets for group swimming sessions, triathlons and even outdoors aqua parks for extra income throughout the year.

In terms of existing assets, when it comes to upgrading facilities, decarbonisation remains a key factor, however this is mostly only a cost in order to be compliant, without any additional value for the asset itself. Like other alternative assets, it is hard to know for sure what the true energy efficiency is in cases such as a football stadium, especially since the legislation was originally designed with residential properties as the priority. For Premier League clubs who have big investors behind them, this isn't necessarily an issue. For grassroots teams it is an expensive cost on top of rising construction and labour costs.

TOP CHALLENGES

Planning and site delays affecting large-scale infrastructure

Decarbonisation policy

Cost of build, labour and equipment

VAT on private school fees putting pressure on investment in facilities

Affordability may curtail as growth of consumer demand

TOP OPPORTUNITIES

Ongoing focus on health and wellbeing

Adaptive reuse of quirky or complex standing assets

Surplus land can be utilised for ancillary income

New operators coming to the UK market

Capitalising on continued demand for a 'fan experience'

OUTLOOK

↑ Capital values

↑ Rental values

↑ Planning applications

Health & Science: Vets

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The veterinary sector is valued today at around £5.8bn and over the next five years, is expected to reach £8.3bn as the demand for pet ownership continues to rise despite the initial drop off post-Covid.

There's no denying however that the UK veterinary sector had a challenging 2024 with much comment surrounding the Competition & Market Authority's (CMA) proposals to reform the sector. Amongst the proposals are a review of competition following several large mergers and acquisitions over the last few years, the potential overpayment of prescriptions and medicines by consumers and a review of the regulatory framework.

It is no surprise that the CMA is particularly interested in competition. In 2013, 88% of vet practices were independent. In 2024, the number stood at just 40%. The top six veterinarian corporates in the UK hold a total 56% of all practices between them, comprising over 3,000 out of the 5,331 practices across the nation. Those six are IVC Evidensia, CVS, Vets4Pets, Vet Partners, MediVet and Linnaeus Group.

But then it is also no surprise that investors and big corporates have been attracted. Fundamentals remain strong – there are 13.5m dogs and 12.5m cats in the UK at present. Expectations are an average growth of 15.7% over the next five years for veterinarian income.

Since 2021, there has been around a 70% growth in value for vet businesses and, with costs increasing, smaller independents have seen the opportunity to capitalise in this interest.

The sector is not without other challenges. As inflation continues to rise, operating costs are also increasing and coupled with an ongoing affordability crunch, families across the UK may seek to spend less on their pets. Wage costs are increasing thanks to new legislation and the supply of labour to the UK from Europe is down 68% since Covid-19.

Despite this, the UK is also still home to the top ranked global veterinary educational institution (the Royal Veterinarian College), and Government research highlights that the number of qualified vets and veterinarian nurses will rise by 50% over the next 10 years, reaching some 45,000 vets alone by 2035. This will still mean a shortage overall, but with talent coming through, it will address part of the cost and supply problem.

With the CMA's focus on the sector, we are likely to see a drop off of M&A activity over the next two to three years and, as a result, funding will also fall. There will be a number of refinancing activities however and, with current interest rates, we may see some of these businesses and assets up for sale. There will certainly be some valuation reassessments.

There's no doubt that the CMA hopes its intervention will see more independents set up and the balance better addressed. We expect to see more co-operatives set up which share best practice and investment as well as performance-based rewards.

Interestingly, many corporates have invested in AI and other emerging technologies, whereas independents have not been so quick off the mark. Instead of being left behind, this may not be a disadvantage. AI has not shown ROI in the sector to date, and technologies need to mature. Whilst AI has been a big help on the administration side, in terms of diagnostics there is a long way to go.

When it comes to the properties themselves, the emergence over the last few years of Flexible Use Class E has certainly helped practices adapt. We are seeing restaurants, warehouses and retail – often on the edge of town – being converted, sometimes even residential properties. After all, vets need to be in catchment of the homes they serve.

Despite having 'flexible' use, there are serious considerations in conversion. Vet properties need to have a large reception/waiting area, at least one consulting room, together with a lab or surgical room. Some will have associated retail to gain ancillary income. Most importantly, they need to be compliant and ensure that care is provided in line with guidelines, and health and safety followed meticulously – especially given x-ray and other similar equipment. The fabric of the property needs to be able to feature special materials that can absorb radiation, for example. Fit-out costs range from £1,500 to £3,000 per sqm and so a specialist is absolutely needed when it comes to design and build.

Vets also need to have parking facilities to transport much-loved pets. Serious thought also needs to go into the use of adjacent properties to ensure no harm or disruption to animals.

Whilst AI hasn't yet become fundamental for vets, the advance of digital infrastructure surrounding a practice is key. Initial 'virtual vet visits' and telemedicine is starting to take off and this can be very supportive to income if the balance is met properly.

Over the next few years, we will see the rise of AI and how it is incorporated into daily use for the sector. We will also see regenerative medicine becoming more widespread when it comes to our pets as more focus is placed on their humanisation and place in the family, including 'raw food diets' and 'pet holidays' meaning owners are more likely to increase investment in their wellbeing, despite a wider ongoing affordability crisis. After all, the demand for animal insurance is still rising, reaching over £2bn in the last year so it seems unlikely that most people will cut down on this expenditure significantly.

As with all alternative asset classes, veterinarian property comes with its own nuances and specialist needs. Investors in the sector, whether capital behind practices and businesses, owner occupiers, or landlords that want to lease their premises to a vet practice, need to have specialist advice to avoid falling into some traps not otherwise experienced by more traditional commercial property assets.

TOP CHALLENGES

CMA intervention

Fall In M&A activity

Inflation

Affordability

Supply of labour from Europe

TOP OPPORTUNITIES

Future vet supply expected to grow significantly

Reemergence of independents

Digital-physical balance can lead the market

Obsolete properties can be repurposed via adaptive reuse

High street banks' involvement offers consultancy opportunities

OUTLOOK

Capital values (=)

Rental values (=)

Planning applications (↑)

Education including PBSA

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Over the last 12 months there has been a lot of media coverage over schools with the Labour Government following through on the removal of VAT exemptions for private schools. The thinking behind this was to raise revenue to support public finances and deliver commitments to education, including the 94% of children who attend state schools.

Prior to September 2024, some private schools had accepted full school fees paid up front for the duration of a child's education, placing the fees into funds. This loophole was closed in late 2024. Of course, this mostly benefited those who have no money pressures. Whilst some schools are finding alternative ways to avoid passing on the fees, there has been a larger number of applications to grammar schools for September 2025, indicating that private schools will see reduced intake on top of reported dropouts from the squeezed middle class who were struggling to avoid private fees in the first place.

This will likely lead to lower spend by private schools on infrastructure and property upgrades. Despite the increased income from VAT payments intended to go into the public funding of education, it will result in this being much lower than anticipated should parents choose to send their children to state or grammar institutions. In turn that means that there won't be as much in the public purse to spend on much needed upgrades of state buildings or on the teachers to cope with extra demand. With RAAC and Asbestos still needing to be dealt with in older educational facilities, the challenge is to make structures safe with most likely lower funds to do so.

State schools across the UK have also been turning into academies or trusts, run on a not-for-profit basis but as businesses with several schools pegged to one strategy and academic plan. This also means that they can have an educational agenda that sits outside of Government Ofsted.

Corresponding house prices surrounding excellent state and grammar schools will see an increase alongside increasing demand for places.

Much has been made about the fact that a large number of universities are financially stricken with a very real funding crisis putting students and jobs at risk. This is down to several factors such as decreasing international student numbers over the last two years thanks to a lack of clarity on visas, rising costs and Government funding cuts. Whilst the latest figures show a slight increase in international students, the strength of the pound may also be playing its part, coupled with the increase in status of European universities in countries such as Germany and Spain, where the latter represents a lifestyle choice for overseas students too.

In past years, universities have embarked on large building and upgrade projects to continue to attract the best students. Whilst private university businesses such as The Russell Group continue to follow these plans at their institutions such as Queen Mary University, London, which is undergoing development of new facilities, other universities such as Bristol are facing debts of up to £500m as they have sought private loans to stay alive in lieu of government funding for vital research facilities.

One area where government funding is increasing for universities is in the 'blue light courses'. Those universities which offer strong such courses in areas where the doctor patient ratio is low are set to benefit most. The thinking behind this is that medical students study longer in their universities and often accept jobs in the local area and, as such, improve the doctor patient

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ratios in much-needed locations for the long term. These include locations in the Southeast such as Greenwich, Portsmouth, Brighton, Medway & Thanet, Essex, Milton Keynes and Bedford; whilst further north comes Blackburn, Hull, Leicester, Lancaster, Cumbria, Northampton and North Wales. If the same theory is applied in Scotland, then Aberdeen, Edinburgh and Glasgow could also be set for funding boosts by the Scottish Government. This may help universities in those locations fund new facilities.

This may also prove a boost to PBSA providers who can look to these locations as potential future hotspots. While student accommodation rents have levelled out recently thanks to increased costs and a turn in the market, new schemes in areas that will be in demand still pose relatively secure returns for investors and developers. Operations are central to this, however. With uncertain markets, operators hold the key to adding value to assets and minimising costs, and, of course, retaining loyal tenants.

Since Covid-19 online tours and booking journeys have also been heavily invested into, with as many as 40% of students not even visiting their accommodation prior to deciding where to live for the duration of their studies. As such, PropTech and social media play an important role with virtual reality and AI growing steadily, as well as the use of TikTok, YouTube and Instagram.

Despite a drop off of international students in recent years, planning remains an issue for PBSA developers. As student accommodation doesn't have its own use class, there is still a lack of understanding at local authority level in some regions and, with the focus on affordable housing, few student-led schemes are allocated in Local Plans. In Bristol for example, there are two leading universities but a dearth of student accommodation, resulting in students living in HMOs, placing further pressure on the city's affordable housing provision. If PBSA could be better understood and allocated for, this would also help other living sectors.

The outlook for PBSA remains strong but the best performing assets will be in locations close to universities, where there is a demand/supply imbalance and that focus on value for money. Amenities remain important, but wellbeing and social programmes also feature high on the list when it comes to requirements and investment in the student experience and thus should be included in design from day one.

TOP CHALLENGES

VAT increasing costs for private schools

Greater pressure on state institutions

University funding crisis

Health & Safety – asbestos and RAAC continue to present problems

Overseas students in decline in the UK

TOP OPPORTUNITIES

Medical course funding in certain university locations

The rise of properly run academies and trusts

Huge interest remains in PBSA

Investment in PropTech, data and AI

Operational insight adds value to assets

OUTLOOK

Capital values ↑

Rental values ↑

Planning applications ↑

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