



# Q2

## 2025

### KEY HIGHLIGHTS:

# 3.6%

In June 2025, inflation was 3.6%, above the Bank of England's 2% target.

# 62%

62% of members reported that rents were increasing.

# 44%

In the Industrial Sector, 44% of agents forecast an increase in demand.



Despite navigating vast uncertainties within the wider economy, it is extremely pleasing to see the commercial property sector performing well overall.

“While challenges remain, especially for the pubs and restaurants sector following what is now a prolonged period of decline in demand, it is positive to witness various authorities across the entire UK more openly discussing and developing how their commercial property blend can be reinvented and rejuvenated to ensure they deliver opportunities for growth moving forwards.

“While the immediate short term might prove to be a period of transition, the long-term prospects for many commercial properties will bring a strong opportunity to generate a fine-tuned portfolio mix, better placed to serve future demand.”



Michael Sears  
Commercial Advisory  
Panel Member  
and Propertymark  
Board Member





Nathan Emerson  
Propertymark CEO

“The commercial property sector stands at an exciting intersection where new provision is being made for future demand across many regions. As requirements evolve, there are exciting opportunities ahead in terms of creatively bringing a defined mix of unit space to better meet demand more dynamically.

“There remains a need for clear rational and resourcefulness at the planning stages of new commercial infrastructure projects to help ensure all proposed developments both compliment wider regional growth and endorse employment opportunities.

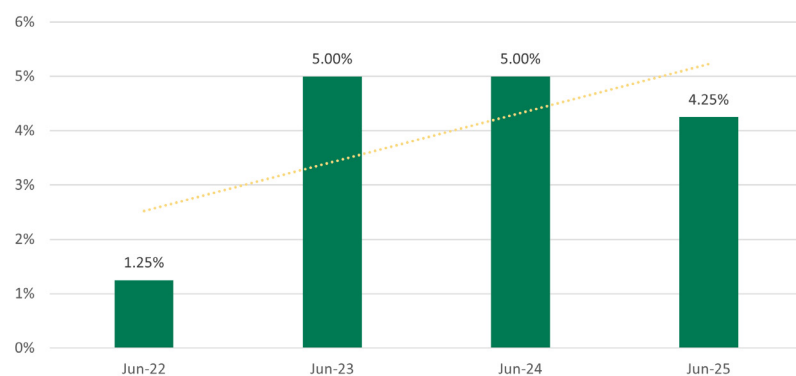
“While the medium term might represent a period of transformation, it remains important the commercial sector continues to be led by data driven insight to ensure the correct mix of properties are available in the right areas with the correct timing.”

# Economic outlook

## BASE RATE STANDS

The Bank of England base rate stood at 4.25% by the end of June 2025. This stood lower than a year previous (Figure 1).

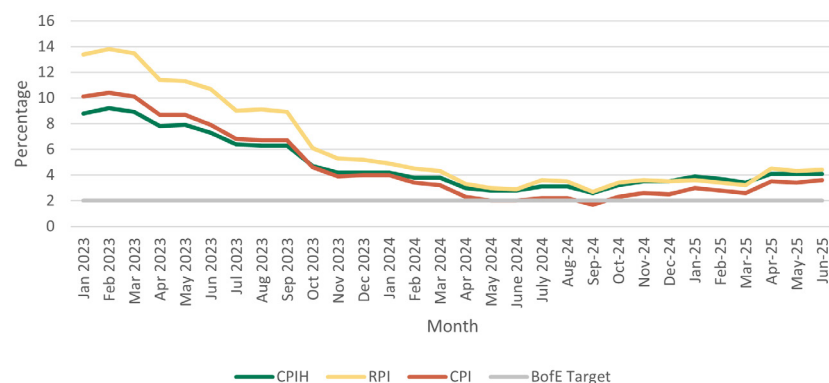
Figure 1: Bank of England base rate



## INFLATION INCREASED

In June 2025, inflation sat at 3.6%, which remained significantly above the Bank of England target rate of 2% (Figure 2).

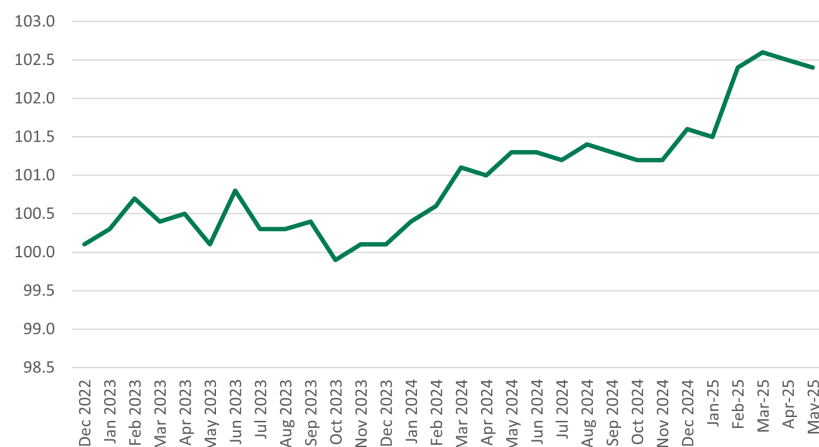
Figure 2: Inflation percentage change (12-month period)



## GDP DIPS SLIGHTLY

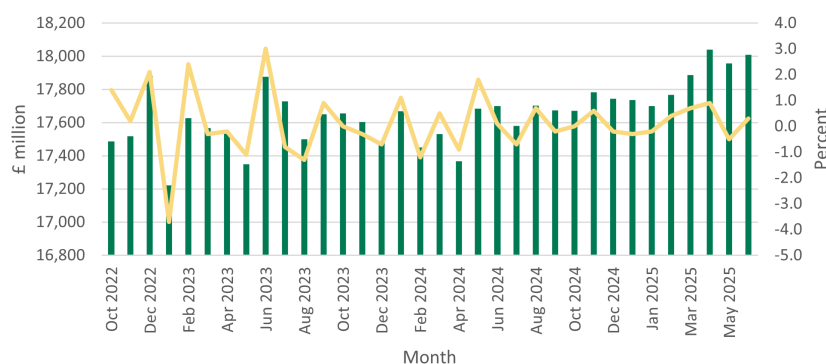
Using the latest figures available, GDP is estimated to have decreased towards the end of June 2025 when compared to the previous quarter. (Figure 3).

Figure 3: UK GDP



Source: Office for National Statistics

Figure 4: Construction output all work summary



Source: Office for National Statistics

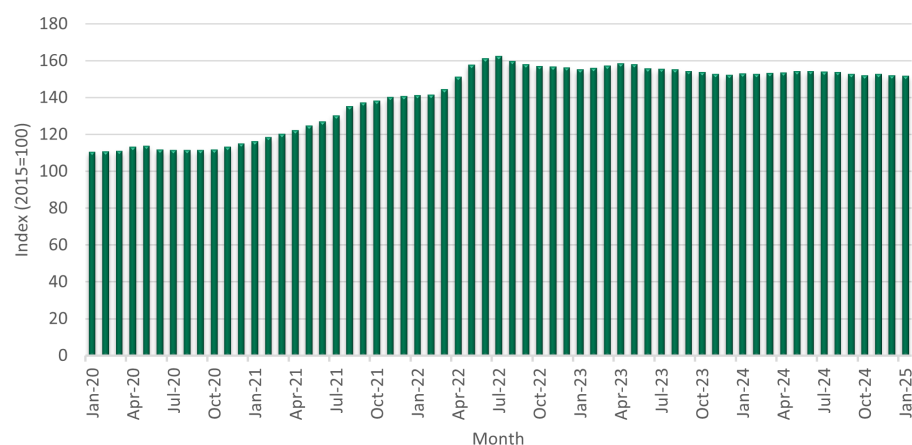
## CONSTRUCTION SECTOR OUTPUT PRICE DATA SHOWS FLUCTUATION

As can be seen in Figure 4, the monthly construction output price data has shown fluctuation within the second quarter of 2025.

## CONSTRUCTION MATERIAL PRICES CONTINUE WITH A GRADUAL SLOW DOWN

Using the latest data available, the construction material price index shows a long-term trend of continuing to gradually slow down heading into 2025 (Figure 5).

Figure 5: Construction material price index

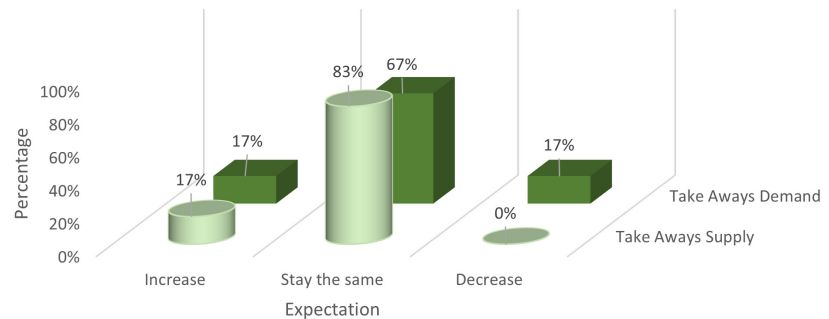


# Supply and demand

## TAKEAWAY SECTOR

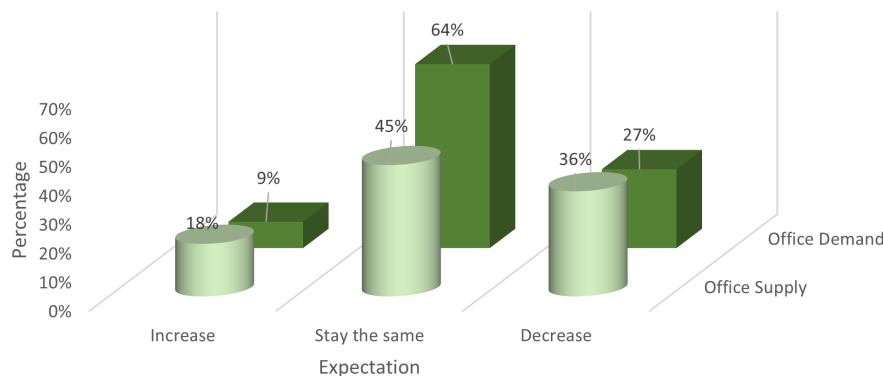
We asked our members what they expected to happen to supply and demand levels within the Takeaway sector over the next 12 months. 17% forecast an increase in supply, with 17% also forecasting a potential increase in demand (Figure 6).

Figure 6: 12-Month Supply and Demand Forecast (Industrial Sector)



Source: Propertymark

Figure 7: 12-Month Supply and Demand Forecast (Office Sector)



Source: Propertymark

## OFFICE SECTOR

We also asked our members what they expected to happen to supply and demand levels within the Office Sector over the next 12 months. 45% forecast supply to remain steady, and 64% foresee demand within the office sector remaining in line with the previous quarter (Figure 7).

Please note, use classes differ in other parts of the UK.

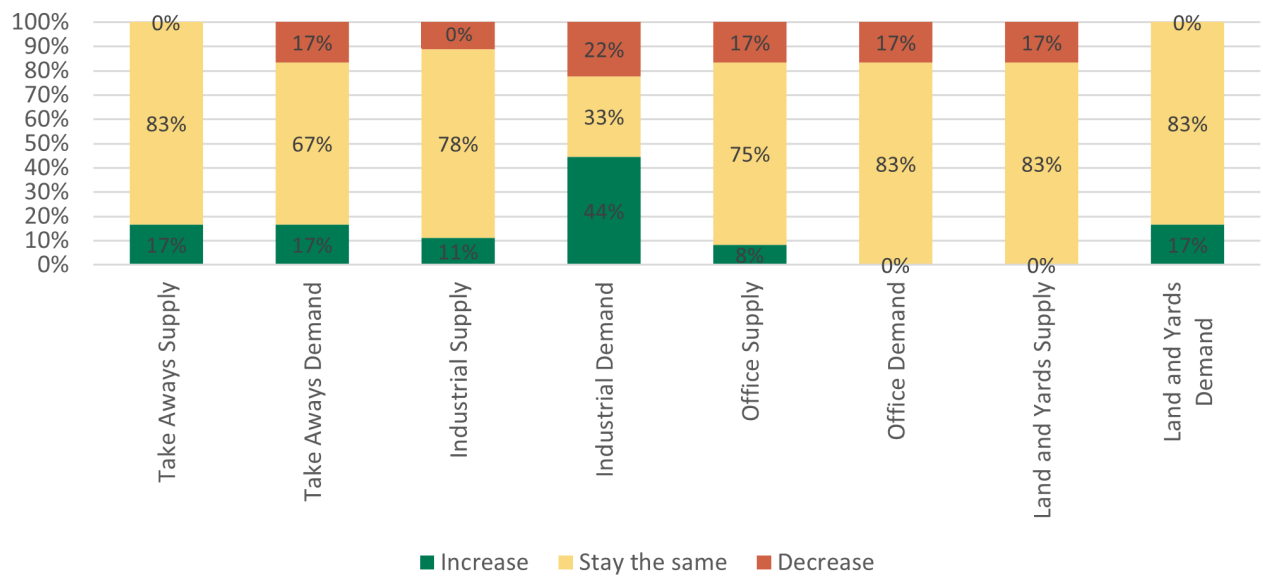
OTHER SECTORS

Supply and demand expectations continue to show flux on a quarterly basis across sectors our members operate in (Figure 8).

In the Land and Yards Sector, 83% of agents forecast that demand will remain static.

In the Industrial Sector, 44% of agents forecast an increase in demand, with 17% feeling this will also be the case within the Takeaways Sector.

Figure 8: 12-Month Supply and Demand Forecast (Other Sectors)



Source: Propertymark

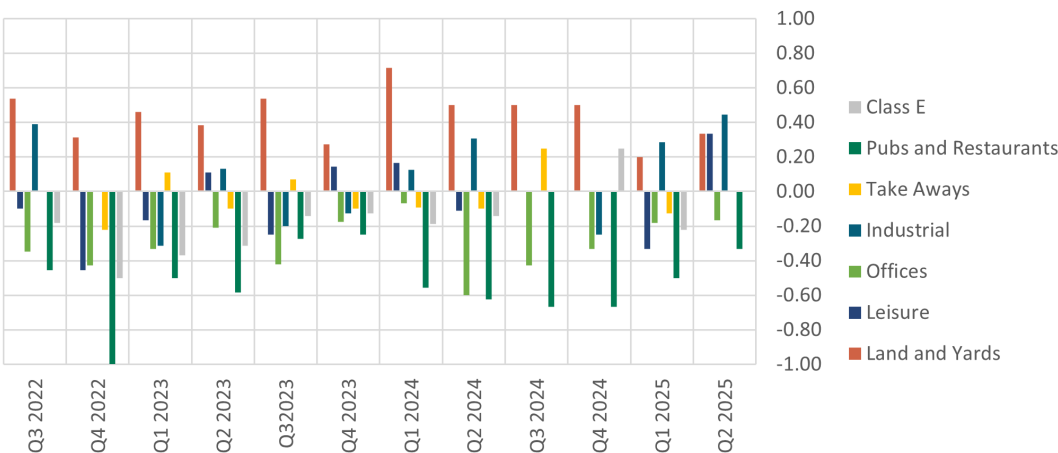
# Capital values

ALL SECTORS

We asked our members whether they expect capital values to increase, decrease or stay the same over the next year within each of the sectors in which they operate. Their responses are converted to a numeric scale bounded by 1 and -1 and reported below. Positive values indicate that most respondents expect capital values to rise or remain the same over the next year. Negative values indicate that most respondents expect capital values to fall or remain the same.\*

In the Class E Sector sentiment continues to remain positive. However, sentiment in the Pubs and Restaurants Sector continues to remain negative. (Figure 9).

Figure 9: Capital value expectations over the next 12 months (all sectors)



Source: Propertymark

\* The same methodology is adopted for our insights into rent levels and net yields.

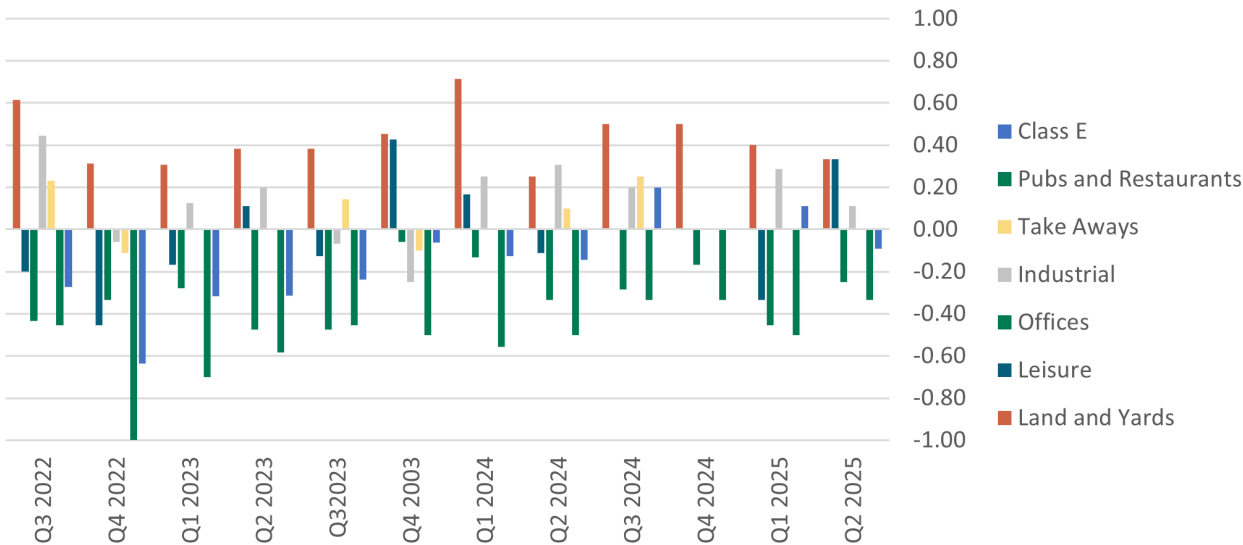
# Rent levels

ALL SECTORS

We also asked our members about their expectations for rent levels\* in the coming twelve months.

Members continue to be optimistic about rents in the Land and Yards Sector and Leisure Sector. However, sentiment in the Pubs and Restaurants Sector remains negative and agents remain cautious about rents in the Office Sector. (Figure 10).

Figure 10: Rent level expectations over the next 12 months (all sectors)



Source: Propertymark

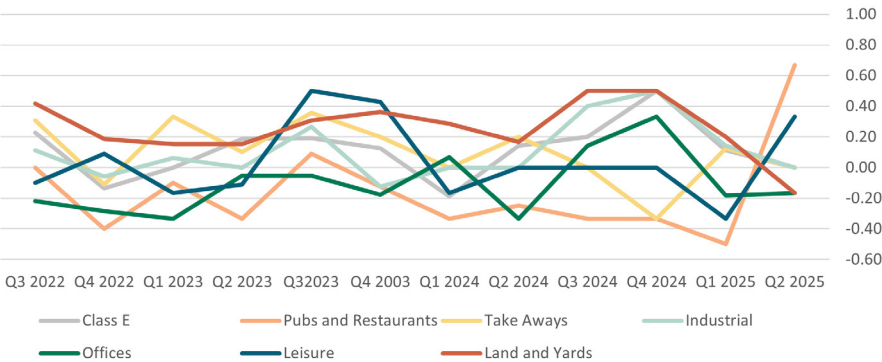
\*ITZA levels in the case of the Class E sector

# Investment yields

ALL SECTORS

Expectations for investment yields in the coming twelve months vary by sector with swings in sentiment visible within the Leisure Sector and a further trend downwards for the Lands and Yards Sector. However, this quarter has brought a steady confidence within the Office Sector and surprise uplift in confidence when looking at the Pubs and Restaurants Sector. (Figure 11).

Figure 11: Trends in investment yield sentiment (all sectors)

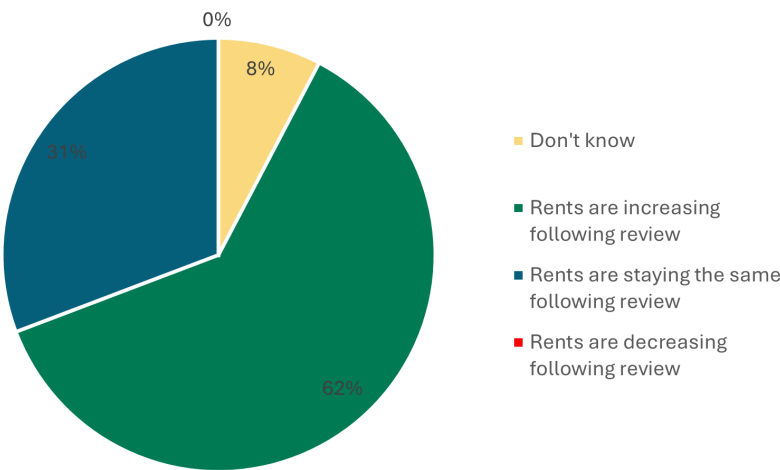


Source: Propertymark

# Rent reviews

We asked our members about the outcome of rent reviews undertaken in Q2 2025. 62% reported that rents were increasing, while 31% reported that rents were staying the same and 0% said rents are decreasing following review (Figure 12).

Figure 12: The outcome of rent reviews undertaken in Q1 2025



Source: Propertymark



# Key challenges

Each quarter we ask our members to highlight the biggest challenges they face operating within the sector.

There is not trust in a consistent direction from government so it is difficult for businesses to plan

Falling business confidence leading to falling enquiries across all sectors

Legal process too slow

## MEMBER INSIGHTS

Each quarter we ask our members to provide their views on trends and developments within the commercial property sector.



The time seems to be right to invest in certain areas of commercial at the moment as prices are very attractive. Lending is still fraught with issues.

## TAKE THE NEXT STEP

The views and figures in this Propertymark Commercial Outlook refer to the UK. Specific geographic locations and markets (city centre/suburban/etc.) will vary. We strongly recommend

you contact a Propertymark commercial agent in your area to discuss opportunities that suit you. You can find your local agent at [propertymark.co.uk/find-an-expert](https://propertymark.co.uk/find-an-expert)

There are several reasons why you should use a Propertymark commercial agent over any other:

### INTEGRITY

As members of Propertymark, our agents have a proven dedication to professionalism within the commercial property sector.

### CUSTOMER PROTECTION

Propertymark regulated its member agents. This is a nationally recognised regulatory brand and provides high standards of service.

### COMPLIANCE

Our members have access to the latest legal and best practice guidance.

ENDS

## ABOUT THE PROPERTYMARK COMMERCIAL OUTLOOK

This report is based on a survey of Propertymark commercial agents conducted during Q3 of 2024. It is supplemented with an analysis conducted by Propertymark of key statistics relevant to the commercial property market.

### ABOUT PROPERTYMARK

Propertymark is a leading professional body comprising commercial and other property sector agents. We are member-led with a Board of practising agents, and we work closely with our members to set professional standards through regulation, accredited and recognised qualifications, an industry-leading training programme and mandatory Continuing Professional Development.

The Commercial division of Propertymark represents members who practice from over 650 offices and aims to reassure the public that by appointing a Propertymark Protected agent to represent them, they will be safeguarded and receive the highest level of integrity and service for all property matters.



### EDITOR NOTES

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