

propertymark

Commercial Outlook



This report is based on a survey of Propertymark Commercial agents.

Q1

2025

KEY HIGHLIGHTS:

2.6%

In March 2025, inflation was 2.6%, above the Bank of England's 2% target.

80%

Agents forecast that demand will remain static.

43%

Agents forecast an increase in demand.



Considering the myriad of uncertainties within the global economy at present, and the many challenges this is causing to some businesses operationally, it is positive to see such resilience within the commercial property sector overall.

"While there are potential reservations to navigate in the short to medium term, there is strong confidence in the Class E Sector and Industrial Sector for the forthcoming quarter.

"Taking an overarching view of potential future performance, it is important to highlight we currently sit within a phase where many life-expired commercial properties are being redeveloped to better serve future needs. With such enhancements come exciting new opportunities for growth."



Michael Sears
Commercial Advisory
Panel Member
and Propertymark
Board Member



Nathan Emerson
Propertymark CEO

“The commercial landscape continues to evolve at immense pace and, while we are currently seeing much change in terms of demand, it remains positive to witness encouraging investment in the shape of development programs - especially within urban settings.

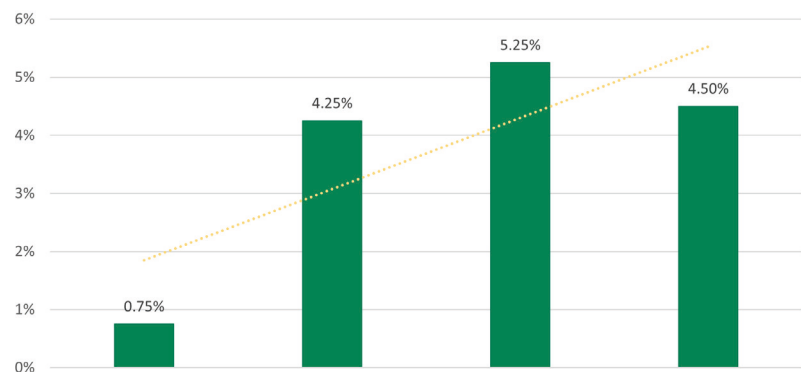
“The sector continues to show much promise, as many town and city centres progress with vast new transformational projects. There is, however, still an urgent need for open and honest conversation to ensure existing decommissioned commercial properties don’t sit empty – whether that is supporting and encouraging further use or looking at alternative purposes for such properties where possible and if appropriate.”

Economic outlook

THE BASE RATE

The Bank of England base rate stood at 4.5% in March 2025. This stood lower than a year previous (Figure 1).

Figure 1: Bank of England base rate



Source: Bank of England

INFLATION

In March 2025, inflation sat at 2.6%, which remained above the Bank of England target rate of 2% (Figure 2).

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

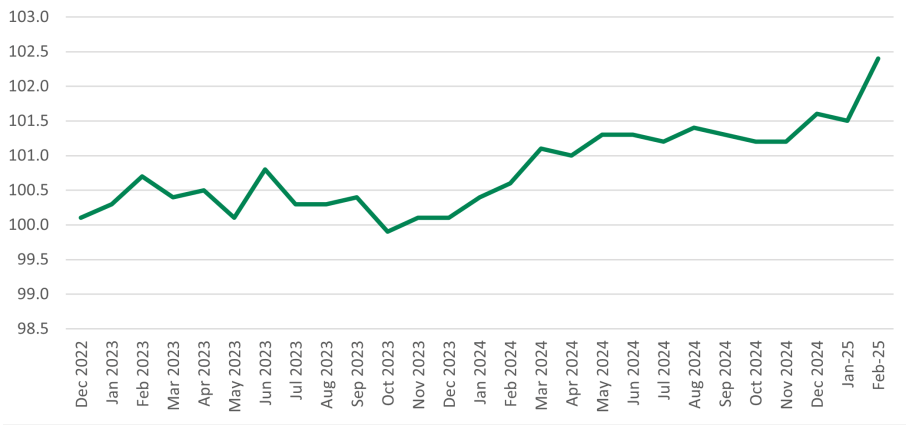


Source: Office of National Statistics

GDP

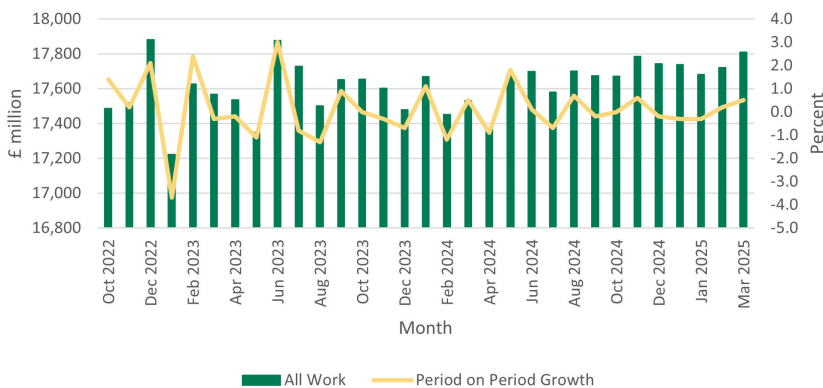
Using the latest figures available, GDP is estimated to have increased leading towards March 2025 when compared to March 2024 (Figure 3).

Figure 3: UK GDP



Source: Office for National Statistics

Figure 4: Construction output all work summary



Source: Office for National Statistics

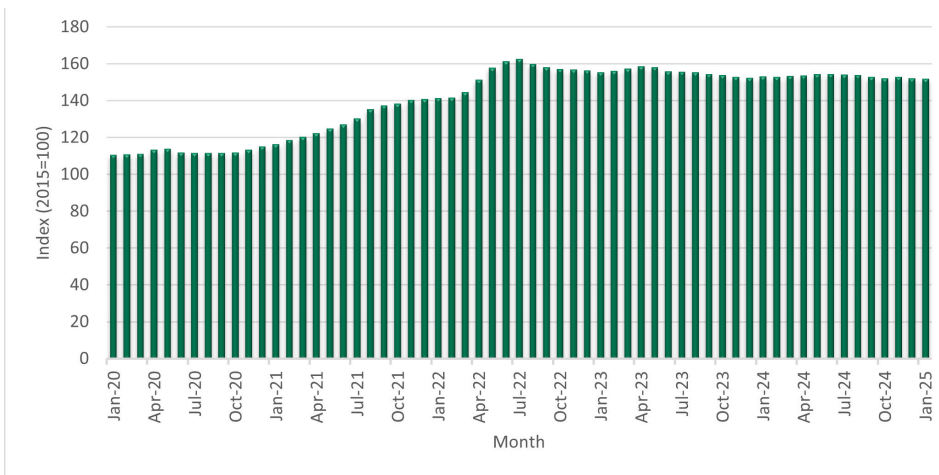
CONSTRUCTION SECTOR OUTPUT PRICE DATA SHOW A CLIMB UPWARDS

As can be seen in Figure 4, the monthly construction output price data has shown uplift in the first quarter

CONSTRUCTION MATERIAL PRICES

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



Source: Department for Business and Trade

Supply and demand

INDUSTRIAL SECTOR

We asked our members what they expected to happen to supply and demand levels in the industrial sector over the next 12 months. 43% forecast an increase in supply, with 43% also forecasting a potential increase in demand (Figure 6).

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

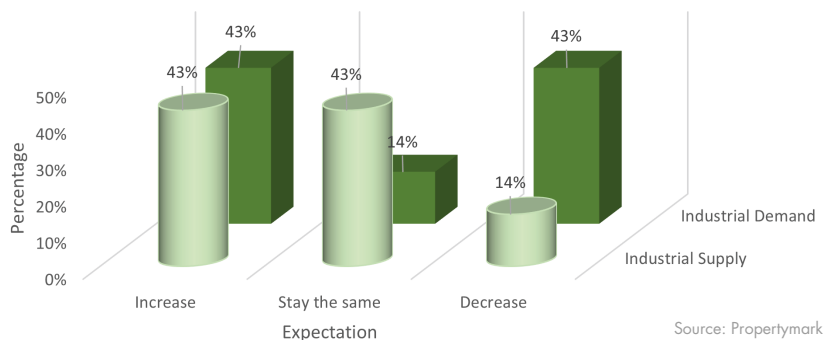
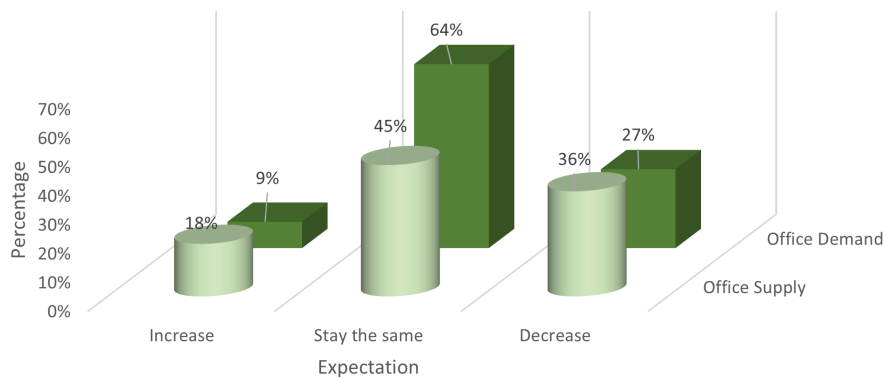


Figure 7: 12-Month Supply and Demand Forecast (Office Sector)



Source: Propertymark

OFFICE SECTOR

We also asked our members what they expected to happen to supply and demand levels in the office sector over the next 12 months. 18% forecast an increase in supply, whereas 64% foresee demand remaining stable. (Figure 7).

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

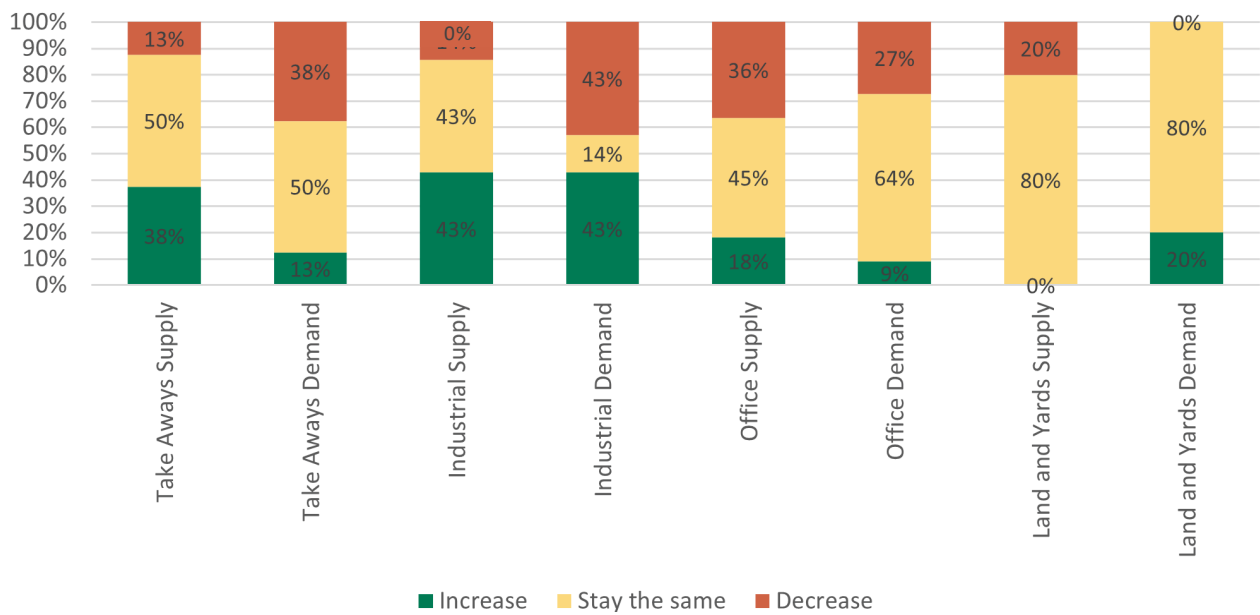
OTHER SECTORS

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, 80% of agents forecast that demand will remain

static. In the industrial sector, 43% of agents forecast an increase in demand, with 13% feeling this will also be the case within the take aways sector.

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



Source: Propertymark

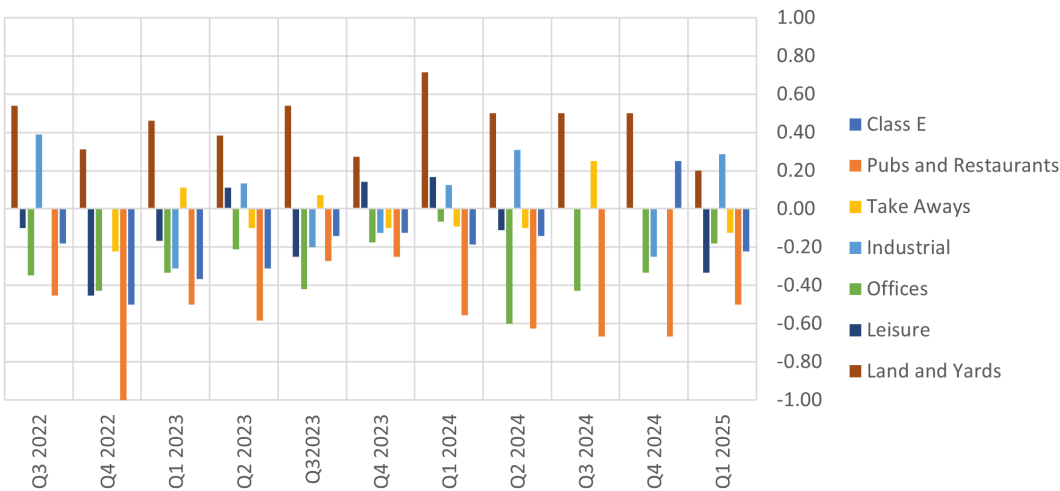
Capital values

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 industrial sector sentiment continues to be positive. However, sentiment in the pubs and restaurants sector remains 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.

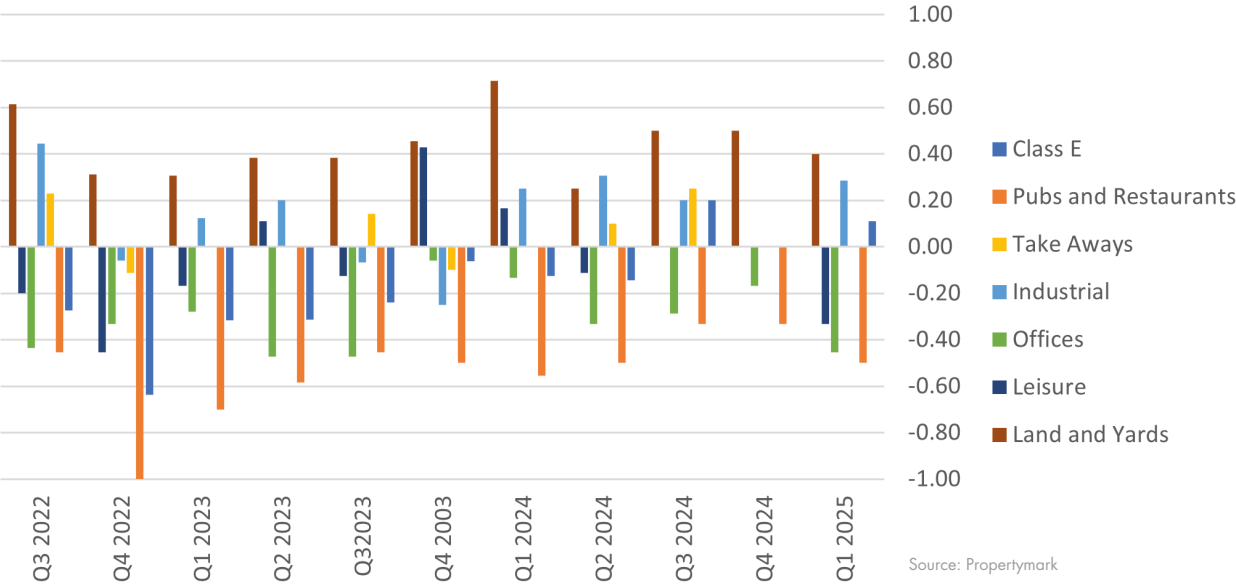
Rent levels

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 industrial sector and Class E sector. However, sentiment in the pubs and restaurants and office sectors remains negative. (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

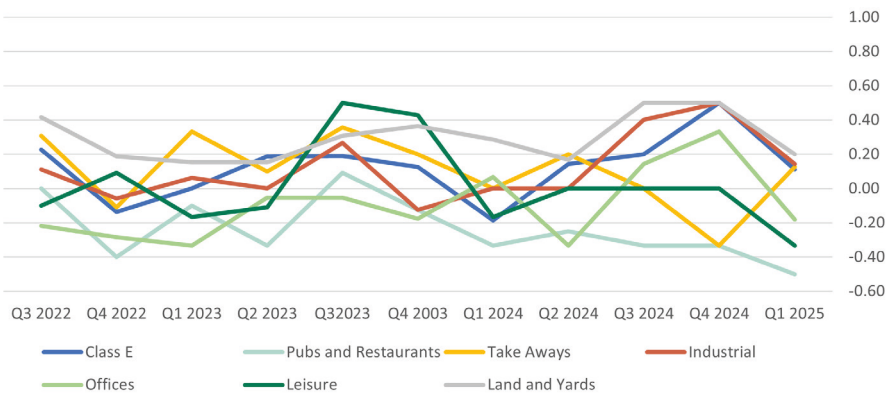
Investment yields

ALL SECTORS

Expectations for investment yields in the coming twelve months vary by sector, with swings in sentiment visible within the land and yards sector and a further trend downwards for the pubs and restaurants sector.

However, this quarter has brought a renewed confidence in outlook for the take aways sector when compared to Q4 2024. (Figure 11).

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

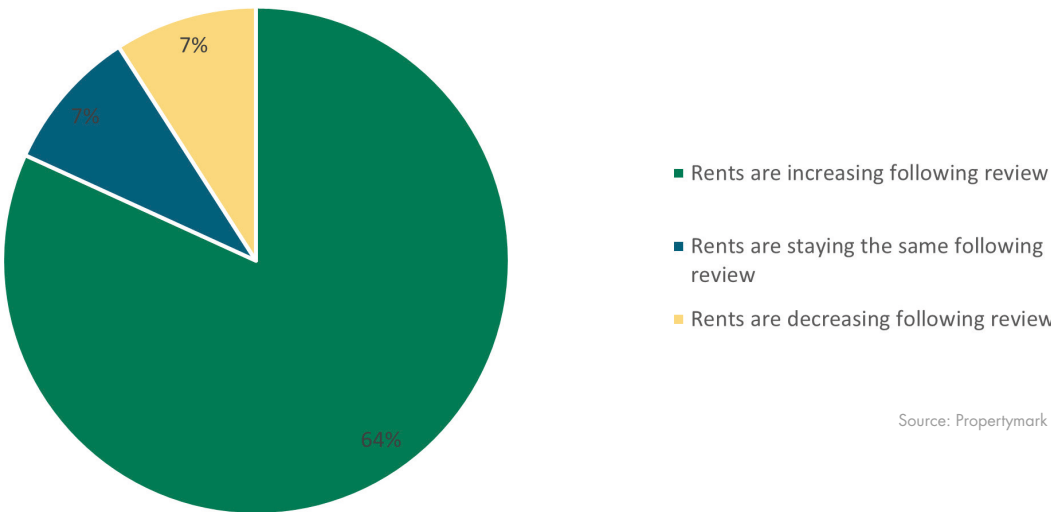


Source: Propertymark

Rent reviews

We asked our members the outcome of rent reviews undertaken in Q1 2025. 64% reported that rents were increasing, while 7% reported that rents were staying the same, and 7% 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.

Current economic outlook has significantly reduced the demand for mainstream genuine retail occupiers, which is a worry.

Land and property services rates, they are extremely high in certain areas and therefore affecting the rental demand.

Lending barriers on commercial sale funding.

Lack of investment confidence is hitting business decision making and longer-term property strategies, slowing down transactions and

MEMBER INSIGHTS

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



Demand for all industrial units still good, but not as strong as months ago. There is currently a big shortage of supply of units under 5,000 SQFT. Offices demand is slightly better than 12 months back. We are seeing lots of enquiry for residents conversions."

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

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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