



DENTONS

**Real Estate 2025:**  
**Opportunity, Conviction and Power**  
Dentons' market prediction

2025

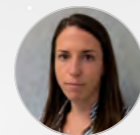
# Introduction



**Rob Thompson**  
Partner & Head of UKIME  
Real Estate,  
Dentons



**Ross Blair**  
Senior Managing Director,  
Hines



**Marine Guerin**  
Director,  
Real Estate Private Equity,  
Arrow Global



**Dominic Silman**  
Director of Research,  
LaSalle Investment  
Management



**Jess Tomlinson**  
Managing Director,  
Head of Real Estate and  
Housing, Lloyds Bank



**Shelby Weiss**  
Principal,  
GREYKITE

On 23 January 2025, Dentons held its annual commercial property market predictions event at which a panel of industry experts provided their insight into what is in store for the year ahead. This report integrates that unique insight with our own in-house analysis to offer a comprehensive outlook for the next 12 months.

At the beginning of 2024, there was a sense of optimism – we predicted a year of “ready, steady, go”. That prediction came true in many ways but not exactly as expected. Interest rates did come down a bit, the election had minimal impact on confidence and transactional volumes were up, just not as far as hoped. Hence, 2024 leaned more towards “steady” than “go”.

Stepping into 2025, last year’s optimism has evolved into a subtle confidence within the market. This sentiment is encapsulated in our three themes for the year ahead, namely: (i) opportunity; (ii) conviction; and (iii) power.

# Opportunity

## The big picture

Taking a broader view, the UK commercial real estate market remains attractive compared to other markets, particularly in Europe.

Political stability, strong investment messaging, transparency and the opportunity created by rapid price corrections over recent years have primed the market for a rebound in 2025. The consensus is that transactional volumes will continue to recover steadily and that the diverse pipeline of opportunities in the UK across a whole range of asset classes will give the market a competitive advantage.

**“We will see a bounce back in transaction activity... it will be a slow start... but I am confident that gradually over the course of this year we will see more and more investment activity return to the market.”**

— Ross Blair, Hines

**“The UK [market] was acknowledged to have corrected more quickly, it’s much more transparent.”**

— Ross Blair, Hines

**“The pipeline into this year looks really strong. It’s across a whole range of asset classes.”**

— Jess Tomlinson, Lloyds Bank

**“There have been a couple of European investor surveys that have come out this week which have put the UK, and London in particular, as the number one destination for inward investment.”**

— Jess Tomlinson, Lloyds Bank

**“[The UK market] always seemed to recover quicker, and there was definitely much more liquidity in the UK than other markets.”**

— Shelby Weiss, Principle, GREYKITE

**UK market: “The speed of the repricing and the transparency you get does make [the UK] look really attractive even though the pricing is in a different place than Europe.”**

— Dominic Silman, LaSalle Investment Management

**“When you look back at the period between the financial crisis and 2020 that period of interest rates ends up looking abnormally low rather than things being abnormally high now.”**

— Dominic Silman,  
LaSalle Investment Management

### Interest rates

2024 did not see interest rates fall as far as predicted. Going into 2025, there is confidence that interest rates will come down, though more slowly than desired.

However, even if rates remain unchanged in 2025, opportunities will still exist, as historical data suggests that pre-2020 interest rates were unusually low rather than current rates being abnormally high.

### Availability of debt

There was substantial debt liquidity in 2024 and this trend is expected to continue into 2025.

Lending is particularly competitive in sectors such as living and logistics. This has encouraged some lenders to explore other sectors, such as hospitality and offices, for higher returns.

While debt liquidity is high at the macro level, the situation becomes more complex when examining individual sectors, assets and borrowers.

Compared to the US market, there is an opportunity for alternative lenders to increase their market share in the UK. With potentially £120 billion of debt needing to be refinanced in the UK over the next three years, this presents a potentially dynamic landscape.

**“We’ve been positively surprised over the last 12 months about the amount of lenders willing to offer us terms on new things.”**

— Ross Blair, Hines

**“There is a lot of liquidity, but I think it is mixed quite quickly...if you have a straight living asset, you will get an awful lot of competition. If you have a mixed retail portfolio, it will look very different and it will be a lot more complicated, and the options between pure senior get more complicated a lot more quickly.”**

— Jess Tomlinson, Lloyds Bank

# Conviction

## Conviction versus opportunity

While short-term market dynamics, such as interest rates, will influence the decisions of opportunistic players, our panel discussion highlighted that the 2025 market will also be significantly shaped by conviction-driven participants.

These conviction players have a deep understanding of their assets, confidence in their strategies and patient capital to support long-term plans. This allows them to act decisively, often enabling them to have a competitive edge over opportunistic players.

While this longer-term play may be more commonly seen in sectors such as sheds and beds, it may also be necessary in areas such as offices and retail, where navigating complex challenges will require strong conviction and vision.

**“The most important thing is you need conviction. You need to have conviction in your underlying asset.”**

— Marine Guerin,  
Arrow Global

## Value-add strategies

A key aspect of conviction investment involves implementing a long-term value-add strategy.

One approach is to embrace the transition of real estate from a pure asset to a service industry, driving value through operational improvements. This approach grants investors greater control over outcomes but demands a more committed and hands-on approach to management and/or requires strategic partnering with those with the necessary operational expertise.

Another emerging strategy for 2025 and beyond is the increasing need for retrofitting. However, it is not just offices that could benefit from coherent and visionary retrofit strategies. Our panellists noted how legacy, purpose-built student accommodation and build-to-rent units may be coming back to the market requiring significant capital investment to bring them up to the modern understanding of “fit for purpose” (particularly in relation to technical and sustainability credentials). The finance and expertise required to turn around core assets that have fallen behind makes this potentially more of a conviction play than an opportunistic one.

**“We see value in trying to find some of these old / first generation [PBSA] / resi assets that we can just buy and retrofit, so that it is fit for purpose again.”**

— Marine Guerin,  
Arrow Global

**“We want to have more control over the outcome of our assets, so are focused on assets where we can implement value add rather than rely on market tailwinds.”**

— Shelby Weiss,  
GREYKITE

# Power

## Power, power, power

A few years ago, the power capacity of a site was seldom a priority in due diligence, if considered at all. Today, it is often one of the first enquires, especially for digital infrastructure assets and industrial premises. Power availability directly affects the viability and value of many projects, from data centres to EV charging stations.

We are seeing that the importance of a reliable power supply is being increasingly reflected in lease covenants.

Consequently, power supply is a key theme for the coming year. Sites with ample power connections are scarce, both nationally and globally, making them highly sought after and making competition for them fierce.

**“If you are able to procure power, it currently feels like you are bound to make money.”**

— Shelby Weiss, GREYKITE

## Climate change

The counterpart to power connections and consumption is sustainability.

While climate resilience and sustainability may not dominate debates as they once did, this likely reflects their integration into the core of real estate thinking.

As we go into 2025, there is concern that there may be some softening on ESG criteria by smaller tenants facing economic pressures. Despite this, there are many reasons why sustainability must remain a priority on the real estate agenda.

Beyond ethical considerations, real estate will be compelled to address this tension because of the growing link between sustainability and value. This link now serves as a price preserver rather than a price enhancer. Strong sustainability credentials no longer boost pricing, but their absence can lead to depreciation. This shift indicates that sustainability credentials are now firmly established.

**“Buildings that are more resilient from a sustainability and climate perspective have done better in that cycle than those that are not... it remains a fundamental part of what global occupiers and investors will be focused on.”**

— Jess Tomlinson,  
Lloyds Bank

**“The funnel of buildings which are considered acceptable from an ESG perspective continues to narrow.”**

— Ross Blair, Hines

**“We need to collectively figure out a way to make ESG improvements economically viable, and all players in the ecosystem - governments, investors, occupiers - have an impact on that.”**

— Shelby Weiss, GREYKITE

# Sector comments

## Offices

The office sector may be encountering challenges, yet there appears to be increased interest this year in acquiring the right assets in optimal locations. Opportunities exist in retrofitting offices to align with modern standards, though these should be approached cautiously due to the associated costs. The politicisation of the remote working debate warrants attention for its potential impact on this sector. Conversely, as one of our panellists noted, the market should not underestimate the significance of real estate as a tool for attracting talent.

**“Many big businesses use their real estate as a hiring tool, as a representation of what they stand for.”**

— Ross Blair, Hines

## Living

The living sector continues to hold the confidence of the market, supported by political and socio-economic factors that make it crucial to the UK’s future growth and success. Our panellists highlighted single-family rentals and purpose-built student accommodation as key areas of interest. However, legacy stock re-entering the market may necessitate substantial capital investment to meet contemporary standards.

## Logistics

Logistics remains an attractive asset class, although there are challenges to address concerning the cost of space, particularly given the economic pressures faced by some occupiers.

**“Uncertainty in the macro market is encouraging some tenants to stay put for longer because they don’t want to make big business decisions to relocate.”**

— Shelby Weiss, GREYKITE

## Retail

For some, it may be surprising, but retail is regaining traction, having just had its strongest quarter since 2015. This resurgence is partly due to substantial price corrections over recent years, making it an attractive investment. Lending is available for the right assets, especially when supported by a compelling strategy, although for mixed assets the lending options can quickly become more complicated.

## Data centres

Data centres are currently in high demand. One of the primary challenges is locating sites with adequate power supply. This sub-sector presents significant opportunities but only for the well-advised.

## Hospitality

The hospitality sector presents a mixed picture. While there are pressures on the food and beverage segment that will require careful navigation, the entertainment and accommodation segments offer positive prospects.

# Conclusion

In conclusion, the UK commercial real estate market in 2025 is set to build on the steady momentum of 2024. Market strategies will hinge on whether they are driven by opportunity or conviction, with power emerging as a central consideration alongside sustainability. Overall, positive indicators support a quiet confidence that 2025 will be a solid year for commercial real estate.



## **ABOUT DENTONS**

Across over 80 countries, Dentons helps you grow, protect, operate and finance your organization by providing uniquely global and deeply local legal solutions. Polycentric, purpose-driven and committed to inclusion, diversity, equity and sustainability, we focus on what matters most to you.

**[www.dentons.com](http://www.dentons.com)**

© 2025 Dentons. Dentons is a global legal practice providing client services worldwide through its member firms and affiliates. This publication is not designed to provide legal or other advice and you should not take, or refrain from taking, action based on its content. Please see [dentons.com](http://dentons.com) for Legal Notices.