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GRI Club

KEY TRENDS IN UK & EUROPEAN REAL ESTATE 2025

INDUSTRY LEADERS AT THE GRI UK & EUROPE REUNION REVEAL INSIGHTS ON THE TOP THEMES TO WATCH IN THE COMING MONTHS

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At the 2025 GRI UK & Europe Reunion, leading real estate professionals, including investors, developers, and lenders, engaged in a series of deep dives into the current state of the real estate sector, marked as it is by ongoing economic uncertainty and rapidly shifting market dynamics.

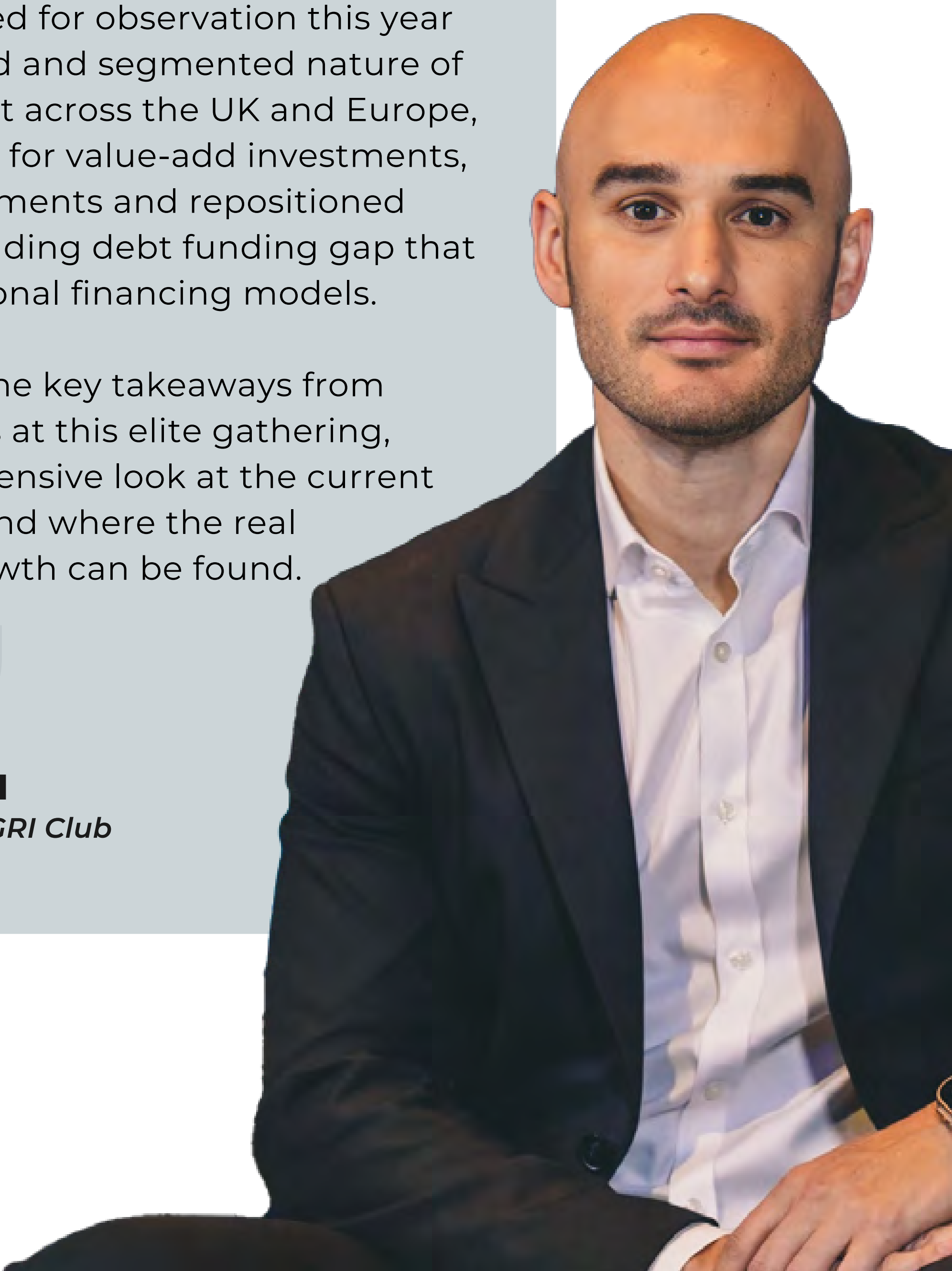
Despite some stabilisation in market conditions, the picture remains complex, with varying trends emerging in different asset classes, geographies, and even individual locations within cities like London.

Key trends highlighted for observation this year included the nuanced and segmented nature of the real estate market across the UK and Europe, the growing demand for value-add investments, particularly refurbishments and repositioned assets, and the expanding debt funding gap that is challenging traditional financing models.

This report outlines the key takeaways from the discussion panels at this elite gathering, providing a comprehensive look at the current state of the market and where the real opportunities for growth can be found.

Enjoy reading!

GUSTAVO FAVARON
CEO & Managing Partner, ***GRI Club***



INTRODUCTION

For more than 25 years, GRI Club's exclusive networking events have been providing unique opportunities for the industry's decision makers to exchange valuable insights and experiences, igniting deal flow and potentialising the real estate market.

GRI Club reports present the key takeaways from these events, including the most valuable insights, the most ardent discussions, and the most intriguing strategies.

This report details the conversations held at the recent **GRI UK & Europe Reunion 2025** in London, where more than 230 of the most senior real estate investors, fund managers, asset owners, lenders, and developers from around the world gather for a series of dynamic roundtable discussions and networking opportunities at our flagship UK conference.

CHECK OUT ALL THE PHOTOS FROM **GRI UK & EUROPE REUNION 2025**

INVESTOR OUTLOOK

» Economic Indicators

The GRI UK & Europe Reunion 2025 began with an insightful presentation by Patrick Scanlon from CoStar, who used the UK real estate market as a case study to examine trends across Europe.

The Organisation for Economic Co-operation and Development (OECD) signalled some optimism when it raised growth projections for the UK, but inflationary pressures and persistent economic uncertainty, particularly with volatile borrowing costs and fluctuating demand across sectors, continue to dampen broader confidence.

Despite this, the investment market outlook remains cautiously optimistic, with signs of yield compression stabilisation being observed. The conversation also highlighted the increase in capital flows from investors favouring core strategies, signalling that the market may be reaching a point of stabilisation.

However, participants observed that an ongoing misalignment between buyer and seller price expectations continues to pose a significant challenge for deal volumes in the short term.

» Alternative Asset Appeal

There is a shift being driven by the growing demand for niche sectors such as data centres, self-storage, retail warehouses, and other operational real estate assets that are gaining traction due to technological advancements and the increasing reliance on data storage.

Data centres, in particular, were identified as an area of long-term potential, especially in Europe, where the demand for sites with power and planning is expected to increase significantly as the sector matures.

While the data centre market in Europe is still maturing, it presents significant potential, especially in areas with green energy and abundant power sources, such as the Nordics.

However, challenges remain in securing the right sites with the necessary infrastructure and planning permissions, which will require careful strategic positioning for investors looking to enter this space.

» London Locations

Discussing the current market cycle, it was highlighted that while recent optimism exists, the sector's performance remains highly fragmented, with some areas showing strong leasing activity, while others struggle with high vacancy rates and declining rents.

London's market, in particular, demonstrated robust leasing performance, but this was heavily influenced by the reliance on pre-let leases, which skewed vacancy rates.

Notably, regions like Oxford and Cambridge have benefitted from strong life sciences demand, which continues to outperform the broader market trends. However, peripheral areas of London, such as Hammersmith and Stratford, are struggling with increased vacancy and falling rental prices.

The presentation also addressed the nuanced recovery of the industrial market, noting that sectors like third-party logistics saw demand losses following the pandemic surge, resulting in high rates of vacant properties.

Image: marinavm06/Envato

MATURING LOANS & REFINANCING

» Competing Capital

The discussion on maturing loans and refinancing highlighted several important points regarding the current state of the credit and debt markets, with the improvement in the credit environment revealing a greater appetite for risk and a significant increase in capital flowing into the credit markets.

This improvement is seen as a global theme, with both the UK and the US seeing a tightening in pricing and a more competitive market. Despite this, capital availability remains uneven across different market segments, and the challenge is ensuring that the right deals align with investor appetites.

The senior portion of the capital stack remains the focus, with panellists noting that the aggressive capital markets are driven by a substantial influx of debt capital, particularly in the US market, where CMBS (commercial mortgage-backed securities) are opening up.

» Refinancing & Risk

While there is optimism in the market, panellists also acknowledged the disconnect between buyers and sellers in terms of pricing expectations.

This misalignment continues to impact deal volumes and create challenges in the refinancing process, especially for transitional assets and those requiring higher loan-to-value (LTV) ratios.

The market is becoming more selective, with investors focusing on assets with strong fundamentals and strategic positioning.

The panel discussed the role of senior lenders, whose risk appetite is higher for well-positioned assets, but who remain cautious about loans tied to more volatile sectors or underperforming projects.

However, underperforming assets still require significant adjustments, including reassessment of rents and yields, which may push debt further down the capital stack.

The tightening of the refinancing market has led some investors to pivot towards value-add and repositioning projects, with much of the refinancing activity occurring in the mid-market segment, particularly for residential and office developments.

» Debt Disparity

In the context of development financing, there is a noticeable gap in the funding market, particularly for mid-market loans and higher-risk projects. The equity gap remains a challenge, with many investors hesitant to put up additional capital due to the uncertainty in the market and rising interest rates.

This gap is expected to widen further in the coming months as development projects become more difficult to finance, with many lenders unwilling to extend beyond 80% loan-to-cost ratios.

» Capital Creativity

The panel also discussed the emergence of non-traditional capital sources, particularly in residential property loans and smaller-scale development projects.

Despite the challenges in the larger capital markets, there is still demand for financing in the mid-market space, with some lenders actively seeking opportunities to fill the gaps left by traditional financing methods.

The key takeaway is that while there is plenty of capital available, the difficulty lies in matching it with the right deals.

Investors will need to be strategic, flexible, and creative in structuring deals to bridge the ongoing gap between supply and demand in the refinancing and development markets.

Image: GRI Club

DEBT FUNDING GAP

» Bridging the Divide

The debt funding gap discussion provided a detailed exploration of the disconnect between available capital and the investment opportunities in the market.

One of the primary issues discussed was the impact of rising interest rates, which have significantly influenced the equity gap in development projects.

As borrowing costs increase, many real estate professionals find it harder to secure the necessary financing for development, particularly for large-scale projects that require substantial capital investment.

This tightening of credit has been felt particularly in sectors like refurbishment and transitional assets, where financing has become more difficult to secure.

» Debt Developments

A key point raised by panellists was the shift in the funding environment, where credit spreads have tightened, making it more competitive for investors to secure the necessary capital for deals.

This shift has resulted in higher cost of capital for developers and investors, with those seeking financing for refurbishment projects or assets requiring repositioning facing increasing challenges.

The panel noted that these changes are primarily affecting the development sector, where the availability of mid-market loans has dwindled.

As lenders adopt more conservative loan-to-cost ratios, investors are now being asked to inject more equity into their deals, which ultimately pushes them higher up the capital stack, thus reducing returns.

This presents a particularly tough challenge in the value-add sector, where opportunities for return have become more constrained as competition for financing increases.

» Availability vs Deployment

Another significant theme discussed was the growing divergence between capital availability and its deployment. While capital is still accessible, it is not always being allocated to the right opportunities.

The panel argued that the gap is less about the amount of capital available and more about the deployment strategy. Investors and lenders need to be more creative in how they structure deals, focusing on high-performing assets and high-demand sectors rather than simply relying on broad market trends.

This requires a shift in investment strategies, where asset-level fundamentals-such as tenant demand, location, and sustainability-become more central to decision-making.

Emphasis was placed on the fact that while market conditions remain uncertain, those who can adapt to these changes by focusing on the right opportunities will continue to find success.

» Alternative Lenders

The role of alternative lenders, who are becoming increasingly important in filling the gap left by traditional sources of financing, such as banks and institutional lenders, was also acknowledged.

These non-traditional capital sources are playing a more significant role in bridging the funding gap, particularly in the mid-market space where traditional lenders have become more risk-averse.

Investors are now looking to private equity firms, family offices, and institutional investors to secure funding, particularly for projects in emerging sectors or more niche opportunities.

The rise of these alternative sources of capital has been particularly noticeable in areas such as residential property loans, where high levels of competition for traditional funding have left some projects underfunded.

» Flexible Financing

The increasing demand for creative financing structures was another important discussion point.

Panellists noted that investors will need to look beyond traditional financing models, incorporating structures such as preferred equity, joint ventures, and mezzanine financing to fill the gaps in their capital stack.

This approach requires a greater level of flexibility from both investors and lenders, who need to collaborate more effectively to structure deals that meet the needs of all parties involved.

The importance of cross-sector partnerships-particularly between developers, institutional investors, and alternative lenders-was highlighted as a way to address the growing challenges in the debt funding landscape.

Image: GRI Club

VALUE-ADD INVESTMENTS

» Refurbish or Reposition?

The discussion on value-add investments highlighted a growing demand for refurbished and repositioned assets, particularly in the office and logistics sectors.

The panel explored the shift in investor strategies towards multi-let properties, with a focus on strategic repositioning of underperforming assets, as opposed to speculative development projects.

The conversation pinpointed that while speculative developments may still have a place in certain markets, the risks involved are becoming more apparent given the current economic uncertainties and changing market dynamics.

This shift has become more apparent as investors seek to unlock value in existing buildings through refurbishments, allowing them to capture tenant demand and increase the overall value of the assets.

» Value-Add-vantages

One of the primary points raised was the importance of tenant demand in driving the success of these value-add projects. The panel noted that tenants are increasingly looking for sustainable, flexible, and well-located spaces.

The office market, in particular, is experiencing a growing preference for high-quality, ready-to-occupy spaces over speculative new builds with longer waiting periods. Many tenants are now opting for refurbished properties, especially in prime urban locations, as they offer immediate availability, flexibility, and competitive rents.

This shift has been driven by the increased demand for hybrid working models, requiring adaptable spaces that can accommodate changing office usage patterns post-pandemic.

In addition, the rising emphasis on flexibility and sustainability has further boosted the appeal of these properties, with occupiers now prioritising spaces with modern amenities, well-being features, and alignment with environmental, social, and governance (ESG) standards.

As a result, refurbished office spaces in central locations are providing a cost-effective alternative to premium new developments.

» Retail Roadblocks

The retail sector, in contrast, is facing a much tougher environment as the increasing shift towards e-commerce continues to impact demand for traditional retail spaces, leading to an accelerated demand for last-mile logistics facilities, which are in high demand due to the rise in online shopping.

This shift is causing vacancy rates to rise in the retail space while creating significant demand for industrial assets, especially those that can serve the growing needs of e-commerce and logistics networks.

While the retail market faces challenges, the growth in logistics is positioning the industrial sector as an attractive investment area for many due to the need for strategically located warehouses, despite some short-term challenges in the sector.

» Finishing Touches

While refurbishments remain a solid investment strategy, the panel also pointed out the need for strategic asset selection.

As competition in the value-add sector increases, investors need to focus on assets that are well-located, with strong fundamentals, and can be easily adapted to meet evolving tenant needs.

The panel also highlighted that capital flows in the market continue to shift. While there are substantial opportunities for value-add investments in refurbishment projects, investors must remain agile and responsive to market changes.

As the economy continues to recover and new demands emerge, the ability to reposition assets, meet tenant needs, and respond to the growing demand for flexibility in both office and logistics spaces will be key factors for success.

LONDON'S HOUSING MARKET

» Metropolis Mortgages

The London housing panel showcased several key trends and challenges shaping the real estate sector, with an emphasis on how economic factors and shifting demographics are influencing demand.

One of the primary issues discussed among the experts in attendance, including representatives from the city, was the impact of rising interest rates on both demand and pricing for homes.

As rates continue to climb amid an affordable housing shortage, the sector has come under significant pressure, with the high numbers of potential buyers unable to afford higher mortgage payments leading to a slowdown in demand for properties in areas that were previously considered good entry points for first-time buyers.

» Market Mutations

Another key point of the conversation was the shift in buyer demographics, with the panel noting that demand at the lower end of the market remains relatively strong, particularly in areas like Dagenham, where housing prices remain more affordable compared to other parts of London.

This reflects a broader trend where buyers are increasingly looking at outer boroughs, where properties are priced lower than in central London, making them more accessible for a larger pool of buyers.

Despite this, demand at higher price points, particularly in the super-prime market (properties priced over GBP 2 million), has slowed considerably. Panellists discussed how the higher mortgage rates are affecting this sector, with many buyers experiencing "sticker shock", particularly in the face of the inflationary pressures and the cost-of-living crisis.

» Cycle Challenge

The conversation then turned to the cyclical challenges in the market. Prime properties in central London, such as those in Mayfair or Knightsbridge, continue to attract interest, but sales cycles for luxury homes have lengthened.

High-end properties priced over GBP 2 million are facing longer periods on the market, despite still having demand from wealthy buyers, who are being more cautious due to the higher cost of financing.

This slowdown is indicative of broader economic uncertainty, where capital flows are becoming more conservative, and buyers are hesitant to commit to high-value assets when the future direction of interest rates remains unclear.

In contrast, properties priced under GBP 1,000 per square foot, such as those in Wembley or Croydon, are continuing to see strong local demand, especially from domestic buyers looking for affordable options that offer good value. These properties, which cater to more affordable segments, are benefiting from ongoing pressure on housing supply and demand in London.

» Trends along the Thames

Emerging trends in the housing market were also on the table, with a growing focus on the shift towards build-to-rent properties market as developers respond to the increasing demand for flexible housing options by moving away from traditional sale models and embracing rental models.

The rise of hybrid work, which allows for more flexible living arrangements, has further accelerated this shift, as tenants seek homes that offer more adaptable spaces.

This trend is particularly noticeable in central London and emerging suburban areas such as Bermondsey and Hackney, where renters are looking for properties that offer both affordable rents and modern amenities.

» Luxury in London

Another key discussion point was the luxury rental market, where demand for high-end properties continues to remain strong.

Wealthy tenants are increasingly opting for flexible, short-term leases rather than committing to long-term purchases, reflecting a broader trend of shifting priorities in the housing market.

Properties with luxury amenities - such as swimming pools, gyms, and private gardens - remain highly sought after, particularly among expatriates and professionals who prefer the flexibility of renting rather than purchasing.

The high-end rental sector is expected to continue to see growth, especially in prime areas of London, where the interest in luxury, flexible living spaces remains relatively unchanged despite broader economic uncertainty.

» E-Commerce in the East End

The discussion also explored the challenges in the retail sector. With the continuing rise of e-commerce, traditional retail spaces in London are facing declining demand, leading to higher vacancy rates.

The shift towards online retail has significantly impacted the demand for traditional retail properties, driving a transformation in how these assets are being used.

Some of these retail spaces are being repurposed for logistics and fulfilment, or being redeveloped into multi-let properties, but the overall trend suggests a long-term decline in the viability of traditional retail properties in certain areas.

Image: GRI Club

» Affordable Accommodation Adversity

Penultimately, the panel discussed the broader challenges of delivering affordable housing in London as recent reports reveal that waiting lists for family-sized social homes exceed 100 years in some areas of England.

Rising interest rates and demand for affordable housing are pushing many councils, particularly in London, to call for increased government investment and long-term housing strategies.

However, despite government efforts, the delivery of social housing has been far below the required levels, and housing associations are facing financial constraints and difficulties in securing investments.

Panellists called for even greater support from the government, both in terms of financial investment and policy reforms, to facilitate the delivery of more affordable housing units. In particular, there was a push for more land supply and a relaxation of certain planning restrictions that hinder the development of new housing.

Developers also called for patient capital, particularly in the social housing sector, where longer-term investment strategies are required to achieve meaningful progress.

» London Lookahead

The debate concluded with a reflection on the investment outlook for London, which, despite its challenges, continues to present significant opportunities.

The growing demand for build-to-rent properties, the resilience of prime office space in key locations, and the increasing need for logistics facilities suggest that London's real estate market will remain attractive to investors with a long-term perspective.

However, the market will need to adapt to changing buyer behaviours, the rise of e-commerce, and the growing demand for more flexible, affordable housing options as the city evolves to meet the needs of its diverse population.

UPCOMING EVENTS

GRI CLUB MEMBERS WILL ALSO ATTEND

EUROPE GRI 2025 AUTUMN EDITION

FULL CALENDAR HERE

ABOUT GRI CLUB

GRI Club

Founded in 1998 in London, GRI Club currently brings together more than 19,000 senior executives spread across 110+ countries, operating in both real estate and infrastructure markets.

GRI Club's innovative discussion model allows free participation of all executives, encouraging the exchange of experiences and knowledge, networking and business generation.

GRI Club Members also have access to our exclusive online platform to learn more about other members and their companies, correspond and schedule meetings, and receive unrestricted access to all GRI Club content.

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