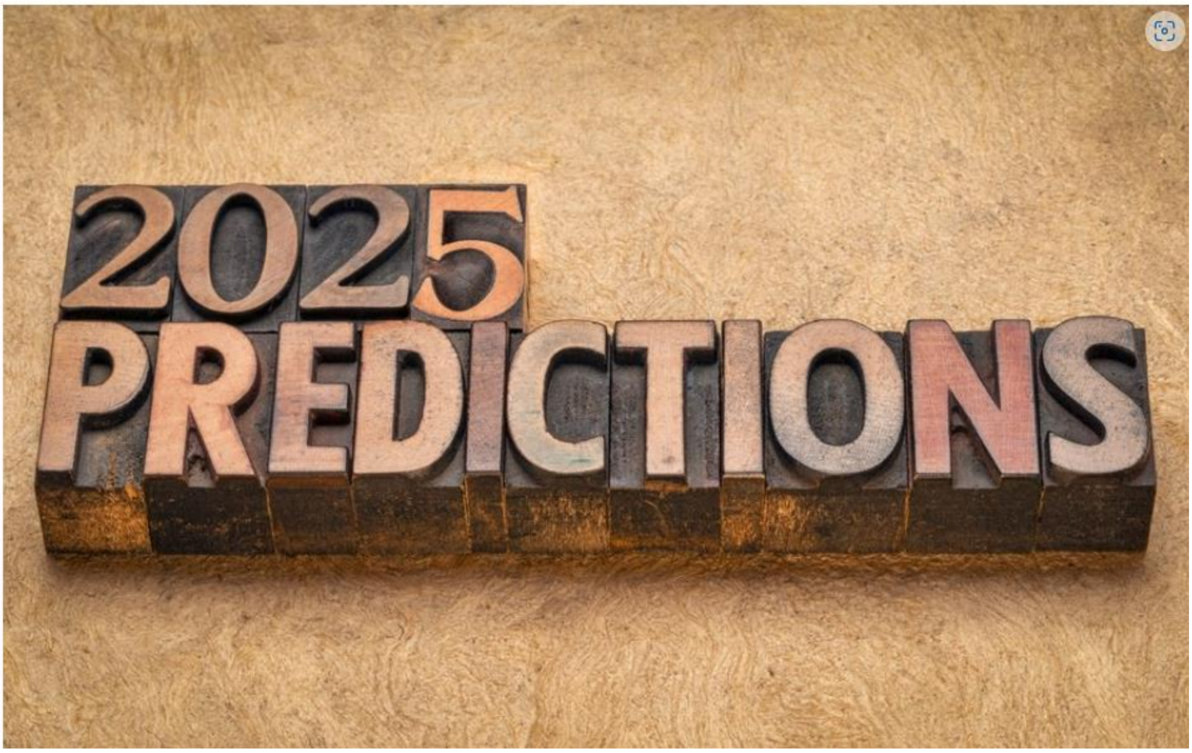
25 for '25: Industry leaders deliver their predictions for the year ahead. Part one



BE News asked leaders from across the built environment industry to share their hopes, fears and expectations for 2025. A whopping 125 of you responded, so to make this year's mega forecast more digestible, we have broken it down into parts and will publish a fresh selection of '25 for '25' every day this week. Enjoy part one!

Melanie Leech

Chief executive, British Property Federation

The policy agenda has certainly been busy since the general election with the government moving quickly to deliver on its promise to reform the planning system to 'get Britain building' and the delivery of 1.5 million homes now embedded as one of the prime minister's six milestones. We have also seen inter alia the rapid (re-)introduction of the Renters 'Rights Bill, announcements on building safety, the publication of the green paper on industrial strategy and the Devolution White Paper.

There's more to come in 2025 and much of this is potentially positive for our sector. But is the sum greater than the parts? The risk is that the government does not effectively join up industrial, infrastructure, clean energy and housing strategies to create a real clarity about the opportunities for, and expectations of, our sector.

Politicians need to recognise that the continued uncertain economic outlook, relatively high cost of debt and materials and increasing tax burden for business mean that it's not enough to pull policy levers to unlock investment. National and local government need to roll their sleeves up and work with us to create viable investible propositions. The government won't deliver without this.

Hugo Llewelyn

CEO & founder, Newcore Capital

My hope is that 2025 will see the continuation of the return to the mean in terms of pricing and risk in UK commercial real estate and infrastructure. This will not be pretty for those with high leverage and assets bought pre-2022, but nonetheless is important for the restoration of liquidity in the market place. I do also believe that investors will embrace a more thoughtful approach to capital management with the implicit understanding that buildings that are future-proofed and needed for the long-term are likely to perform better.

My fear is that America's government balance sheet finally topples over and American bond yields spiral – that is unwelcome news for all economies. I expect that Newcore will continue to be deeply conservative around risk management (echoing the above point) to try to retain purchasing power in the event of an American T-bill crisis.

Rob Perrins

CEO, Berkeley Group

2024 was another very challenging year for the homebuilding industry in which new housing approvals, starts on site and completions all fell further, particularly in London where it has become so difficult to invest. But there is renewed hope. The government made a determined start to its brownfield-first homebuilding agenda, reinstating mandatory housing targets and creating a "can-do" mindset within the planning system. This has made a real difference, with Berkeley achieving resolutions to grant planning consent of serval major regeneration sites, including the hugely exciting vision for Bromley By Bow Gasworks in Newham.

The challenge this year is to ensure that the government's positive momentum quickly translates into greater investment and delivery at local level. In practice, this means that developers and planning authorities need to agree realistic priorities for each site and work in partnership to make housing happen. If we can all approach homebuilding in this spirit, then 2025 can be a breakthrough year for housing delivery.

Jace Tyrrell

CEO, Opportunity London

2025 will be a pivotal year for London and unlocking the next £100bn of capital into property, energy, infrastructure and transport development. Our first full year of Opportunity London and engaging with investors around the globe has reinforced the belief that London remains investible and competitive and investor sentiment is strong and long. There is appetite across the asset classes, and solid demand for BTR, logistics, leisure, life sciences and innovation and energy and transport infrastructure.

To unlock inward investment of scale, we now must address the risks we know to exist – around our planning process, connection to the grid, UK regulation on taxation and gateway processes, cost of construction and access to the labour market.

Charles Ferguson Davie

Co-CEO & chief investment officer, Moorfield Group

2025 should start to see investment activity recover: values have rebased in many sectors, there is improving sentiment as interest rates are expected to reduce, but uncertainty over the rate and pace of cuts and the impact of global political volatility will mean that enthusiasm is restrained. For investors with experience across multiple cycles and access to capital, this creates an extended buying window where there will be less competition for assets. Having closed our latest value-add fund in the summer of last year, we will continue investing in our chosen asset classes – UK living and storage – which we see being highly attractive thanks to an under-supply of institutional-quality product and potential for inflation-linkage; a key pull factor in an era when inflation is expected to prove higher for longer. How high will largely depend on the actions of [incoming US president Donald] Trump and other governments, but the credentials of some real estate sectors as offering inflation protection will become increasingly relevant.

Matthew Richards

CEO, capital markets EMEA, JLL

The CRE sector is poised for a rebound in 2025, with early signs suggesting a new liquidity cycle is emerging. Stabilising borrowing costs, narrowing bid-ask spreads and clear increases in transaction volumes, particularly from institutional investors, points to renewed capital market activity, especially in the US, UK, Japan and South Korea. Private wealth capital is expected to play a larger role in this cycle, targeting select opportunities in prime locations and establishing itself as a key component of overall CRE investment.

Projected global growth and the potential for yield compression, especially in favoured sectors and transparent markets, means there should be investment opportunities to be found. However, investors should still proceed with caution, recognising that market complexities persist and performance will likely be uneven across sectors and geographies as this new cycle gains momentum.

Hannah Marshall

Chief investment officer – UK direct real estate strategies, CBRE Investment Management

Looking ahead, we believe 2025 is likely to be a vintage year for discerning investors to capitalise on opportunities across all sectors. However, maintaining discipline without compromising on long-term real estate fundamentals is crucial. In major UK cities, residential markets are expected to see asset capital values grow, driven by high demand relative to supply, fostering healthy income growth. The perception that valuations have bottomed out should also attract renewed interest from investors with capital to allocate.

Additionally, there should be continued appetite from investors aiming to meet their impact goals, with residential strategies that bring affordable, sustainable homes to market remaining of significant interest to institutional investors seeking attractive risk-adjusted returns. Prime office returns in quality locations, including the City of London, Bristol and Edinburgh, should continue to improve with strengthening occupancy for the best-in-class offices, both from a sustainability and health and well-being perspective. 2025 is likely to be a year of growth and opportunities for UK investment.

Guy Ackernley

Managing director – development and residential, Urban Splash

2024 was a year of preparation at Urban Splash, as we focused on designing and securing planning for our latest projects; places like Cole Brothers in Sheffield, Orrest Head Farm in Windermere and Campbell Park in Milton Keynes. Testament to our long-term commitment to Urban Splash neighbourhoods, we have also been gearing up for new phases at Park Hill in Sheffield and Port Loop in Birmingham, where our newest homes are already under construction.

There’s much to look forward to this year – including a bold citywide strategy for Swansea, where we’re designing seven sites across the city. It is a far cry from the single-building projects that defined our early days 30 years ago.

While the market shows encouraging signs of optimism, some caution remains. But at Urban Splash, we have always believed in the enduring demand for great design and thoughtful regeneration. With a stronger macroeconomic outlook and confidence in our pipeline, we’re ready to embrace the opportunities of the year ahead. Bring on 2025.

Faisal Butt

Managing partner and founder, Pi Labs

Last year was an embryonic year for AI real estate startups, with an explosion of new companies and early-stage financings. Many investors have already placed bets on the AI-focused founders who could become the clear winners within real estate. Real estate value creation will have to come from driving operational efficiency –

and to stay ahead of the game, owners need to quickly identify which startups can best drive asset performance.

2025 will be a year where the AI winners start to emerge, with larger funding rounds closing. There is currently an arms race happening in AI – for every real estate industry problem that can be solved, there is a startup emerging that is using ChatGPT and Large Language Models to solve it. Ultimately, the real estate market is not going to need 10 versions of the same solution – so, the AI startups with strongest customer adoption and commercial metrics will break away from the pack.

Neil Hockin

Head of leasing & joint managing director, Lunson Mitchenall

The future of our town centre health hinges on the vitality of retail and hospitality. I have a real fear that without a shift toward community-focused strategies, many town centres will continue to decline. Recent government decisions haven't helped, and have led some retailers to scale back and re-evaluate less profitable locations. My hope is that a bold, locally tailored vision can emerge in 2025, one that values the social and economic impact of retail beyond mere transactions.

Retail can help build civic pride and strengthen community ties, but it requires innovation. For example, using AI and repurposing spaces for healthcare, co-working and leisure. The example of the NHS diagnostic centre at Gateshead shows what's possible. To succeed, we need government support to address regional disparities and ease rising business costs. I'm hopeful, but 2025 will only be a success if we invest in retail's role in shaping vibrant, resilient communities.

John Webber

Head of rating, Colliers

Twelve months ago, the Labour party was still talking about scrapping business rates if it was elected. Whether that was a genuine plan or whether the black hole discovered after entering government changed that strategy is anybody's guess.

One thing is for sure: the announcements made in the Budget will not help the high street in the short term. Reducing the current 75% discount on business rates bills to 40% means that those businesses currently eligible for relief will see their bills rise by 140% next year. And the announcement of a higher multiplier for all properties with a rateable value of more than £500,000 will put millions of pounds on the rates bills of businesses across all industries, not least the retail, hospitality and leisure industries, which had been expecting help.

I fear there is no change in the direction of travel of the business rates burden on UK plc – as evidenced by the OBR report which show business rates of just under £40bn paid by 2029/30 – eye-watering!

Joe Binns

Head of investment, Stanhope

2024 was the year of stagnation and inactivity. While the sentiment around London offices has materially improved since 2023, the gap between buyers and sellers has been too great to turn this positive mindset shift into transactions.

In 2025, we are optimistic about a much more active market. The number of sales progressing at the end of 2024 proved to vendors there is a strong appetite for the right product. We also expect to see a return to value-add investing, as buyers with higher return requirements are compelled to take on more risk to achieve the desired returns.

Looking at the pipeline of offices coming to market in 2025, the focus remains on retrofit rather than rebuild. This is something that is reflected in Stanhope's own portfolio with both Woolgate and 76 Southbank set to complete this year.

Tom Dodson

Chief operations officer, Better Green Living

We anticipate significant growth in the retrofitting and refurbishment sector to address the rising demand for premium green working spaces. With hybrid working and studying prevalent across the country, the need for communal spaces has become essential. This growing demand offers an opportunity to sustainably refurbish spaces instead of having to build new spaces from scratch. And with an aligning focus on sustainability amongst the property industry, it is more important than ever, that our designs are fit for purpose and that we utilise as much of our existing buildings as possible.

The demand for student accommodation is at an all-time high, with 2.2 million students projected to require housing by 2026. This presents a significant opportunity to develop these high-demand hubs. However, to meet this need, the industry must address the existing skills gap. Building a strong and diverse workforce is essential in delivering the retrofit work necessary for the UK's transition to net zero. This can only be achieved by additional government support to provide the younger generations with retrofitting training to develop and expand their skills. With the expected rise for retrofitting projects and a focus on greener solutions in doing so, we continue to stay ahead of the curve.

Katerina Papavasileiou

ESG and responsibility director, real estate, Federated Hermes

In 2025, decarbonisation will move further beyond commitments towards practical action and implementation, with net zero transition plans and KPIs becoming a greater priority in investment and asset management. Clear policy will be key in facilitating and incentivising decarbonisation.

Embodied carbon performance will drive future development briefs – including for new builds, refurbishments and repurposing. The industry will also become more aligned, with the new UK Net Zero Standard playing a significant role in offering a more unified approach. How prepared are real estate portfolios for facing unexpected weather events? As we experience more severe weather, resilience and adaptability will be high on the investment and asset management risk agenda.

Societal pressures for diversity and inclusion, economic and political uncertainty, and the rise of sustainability labelling legislation will create a deeper shift to investing with purpose. There will be more interest in exploring investments that meet fundamental human needs and align financial returns with nature and societal performance.

Simon Vernon-Harcourt

Design & planning director, City & Country

The Labour party is making great strides in the right direction and the potential opportunity for enhancement is huge. It will be a massive challenge to change the system given how under-resourced local planning authorities are, and how entrenched the NIMBY culture is in the system. So far, we have heard many soundbites about recruiting new planning officers, but unfortunately, the devil is in the detail – something we are currently lacking.

There's a very ambitious housing target above our heads and to fulfil this, we need the policy of loosening the green belt delivered promptly. This will enable the development of sustainable communities and help create new places for people to live, work and play. I hope we will start to see a shift next year from political point scoring toward tangible action.

Chris Harris

Chief operating officer, Dandara

The government has positioned housebuilding as a key driver of economic recovery, signalling its commitment to boosting the economy – a goal in which housing plays a crucial role. The UK's pressing need for new homes makes this focus both timely and essential.

Labour's proposed policy changes, particularly its plans to simplify and expedite the planning process through amendments to the NPPF, could present significant opportunities for SMEs like ours to increase housing delivery nationwide. However, it remains uncertain whether these commitments will translate into actionable outcomes.

For buyers, the financial landscape remains challenging. Rising rents, higher mortgage rates, escalating energy costs and the ongoing cost of living crisis are all barriers to home ownership, especially for first-time buyers. In the coming year, I hope to see the government take decisive action to address these issues and promote greater accessibility to homeownership.

Peter Sibley

Divisional director, nuclear, Hydrock (now Stantec)

2024 was a year of significant growth in the UK data centre market, reflecting the rising demand for digital infrastructure. However, in 2025 the sector will face some critical challenges, particularly around power procurement and grid connectivity. An important avenue gaining traction is the further implementation and expansion of nuclear power as a reliable, secure and low carbon energy source, which can provide a platform for widespread growth in intermittent energy generation such as wind and solar.

In 2025, we anticipate further progress on small modular reactors (SMRs) to power data centres in the UK. However, the pace of development will be heavily determined by available finance, government support and, indeed, public engagement. Great British Nuclear will play a central role in advancing the SMR timeline, ensuring collaboration with all stakeholders. A number of the large global tech companies have already signalled their intention to incorporate nuclear power into their energy strategies to support large-scale development goals worldwide, sending a strong and optimistic signal to the sector.

Craig Carson

Managing director, Barratt West London

There is a cautiously optimistic view as we head into 2025. London's market has unique challenges due to its property prices and demand for new homes. The market will also suffer when stamp duty thresholds change, with the average first-time buyer in London required to pay an additional £11,000 on stamp duty costs alone.

We have evolved to address some of these challenges and introduced our own schemes to support buyers in the absence of a formalised scheme – whether this is offering deposit contributions to key workers, reduced mortgage rates via our 'Own New' scheme or other low-deposit solutions such as Deposit Unlock.

Trevor Wilkins

Managing director, PAH Building & Construction

Last year was a challenging year for the UK construction industry. The sector has faced a significant workforce crisis, with the loss of 210,000 workers since 2023, exacerbated by an aging workforce. This shortage has hindered progress, slowed growth and put immense pressure on businesses across the industry.

Yet, the horizon holds promise, with the CITB's CSN report showing a forecasted 8% increase in underlying project starts in 2025 and a further 10% in 2026. There has always been a demand for workers; the UK's construction output continues to grow, but now, we're facing a desperate need to match industry growth with a skilled workforce. If we are to bridge the skills gap, we urgently need a joined-up approach to recruit, train and upskill talent. Without this, we will be unable to deliver the vital construction and infrastructure this country needs – a responsibility that starts from the government.

Olivia Harris

Chief executive, Dolphin Living

2024 had mixed outcomes for affordable housing. Easing inflation and increased government commitment to record affordable home delivery offer hope. However, these gains are offset by persistent planning hurdles, evolving regulations around building safety and sustainability and financial pressures on lower-income households.

We welcome the government's commitment to increased housing delivery through changes to the NPPF but caution against a one size fits all approach to tenure. Alongside more social housing, intermediate rental options are essential. Many affordable housing residents are key workers and their quality of life hinges on having convenient commutes – addressing this gap is critical to keep our communities functioning. Beyond planning reform, the government must tackle other barriers slowing development.

The government should prioritise the social and economic benefits of delivering discount market rent as part of a wider programme of affordable housing delivery, and capture it within both changes to the planning system and as part of a future housing strategy.

Simon Farnsworth

Managing director, Ironstone Asset Management, Life Science REIT's investment adviser

The challenging funding market slowed demand in early 2024, but we saw a significant increase in enquiries and occupier activity after the summer. Occupiers are also seeking better value from their space. Not only are they looking for higher quality spec, and in the case of occupier spin outs, fully-fitted lab space, but they also want to be part of strong ecosystems, and we expect that to remain a priority for occupiers this year.

There are clear benefits in historically disparate fields, such as life sciences and tech, working alongside one another, collaborating and using technology to continue to break new ground, at a faster pace. And, as government seeks to deliver on its ambitions to grow the UK's most prominent life science clusters and invest more in research, development and innovation, these ecosystems will only become stronger, more efficient and ultimately more successful in enhancing our understanding of complex fields such as oncology and neuroscience.

Ari Boyd

CFO, Aprirose

There are a number of things to look at for 2025 in the investment market. Firstly we will see higher for longer inflation and interest rates which means less chance of yield compression. Growth will come from adding value to a property. Secondly, we will see a divergence in pricing. The best assets – based on the property itself, location and covenant, will continue to price strongly as a result of a weight of capital. Pricing for secondary assets or weaker covenants however will drift out – in other words we will see a two tier market.

Thirdly, we will see increased distress and possibly more lender-led sales or enforcement as a result of the higher for longer inflation and interest rates aforementioned. Finally, there will be an opportunity where government will spend money so look to social infrastructure assets such as housing, healthcare, education. Those who are well-placed to spot added value and even complex opportunities, who have strong relationships with debt and investment partners and who can work quickly and flexibly will outperform.

John Dunkerley

Chief executive, Apache Capital Partners

The 12 months ahead will mark the year that build-to-rent (BTR) enters the next phase of its maturity. With a wave of first-generation schemes and portfolios beginning to trade, the creation of a secondary market for BTR assets will solidify the sector's position as a growing favourite among institutional investors seeking income-producing investments with inflation-hedging and counter-cyclical qualities.

Greater institutional acceptance of BTR is positive news for consumers, who stand to benefit from a more professionalised rental market, with purpose-built stock held in long-term ownership making up a larger proportion of the overall supply. It is also encouraging for the new government in its efforts to boost housing delivery, as the demonstration of exit liquidity will provide investors with greater confidence to fund new schemes.

Marsha Rabinovich

Director & co-founder, Kauffmans

The signs are promising for London's office market in 2025. The occupational market is set to remain tight for new space, leading to further rental growth. We anticipate more commercial stock being prepped for sale next year, alongside increased activity in the City of London's alternative sector. Many investors have decided to sit on their hands for more than two years due to market economic and political conditions; 2025 could be the year they need to act.

We would hope that valuations will start to reflect the market pricing correction seen in recent years, bringing buyers and vendors' aspirations closer together to the extent that productive conversations can get underway.

That said, we are unlikely to witness a material change in transactional volumes at the start of 2025. We still need to see a sizeable shift downwards in terms of the cost of borrowing, particularly for larger lots in order to boost market liquidity. Once this happens, and so long as buildings are marketed at sensible prices, we hope to see robust demand and a strong level of competition.

Ezra Nahome

CEO, Lambert Smith Hampton

Goodbye 2024, hello 2025! Having negotiated the toughest five years I can remember I’m more optimistic than ever because of our people. In 2025 greater resilience, adaptability and imagination will help turn good businesses into great ones. Our people have these characteristics in abundance. And while technology has fundamentally changed how we work, it’s still just a tool; real progress in property starts with people. It always has and always will.

I’m confident about this year and the years that follow because of the ingenuity of our people and the strength of our culture. A culture that works together to realise the potential of our clients by enabling our people to reach theirs. Remember, what doesn’t kill us makes us stronger – and that’s coming from a Spurs fan!