

UK Real Estate Market Outlook 2025: The Road to Recovery

cbre.co.uk/insights/articles/uk-real-estate-market-outlook-2025-the-road-to-recovery



As we near the end of the 2024, it is time to reflect looking back at the year that was, and what 2025 might bring.

Despite the sometimes-bumpy journey, the economy performed better than expected this year. This was largely driven by lower inflation, which, after falling in the first quarter, remained near, or at, target for the rest of the year. Consequently, the Bank of England started its interest rate cutting cycle. The return to growth – with GDP likely to increase by 1% in 2024 – will be sustained throughout 2025, supported by a more favourable environment of price stability, rising real incomes, and falling debt costs.

2024 was a challenging year for commercial real estate, with investment volumes remaining at historically low levels. Still, it is becoming increasingly clear that the market reached the bottom of the cycle, and sentiment is starting to improve. According to our Monthly Index, all property capital values are beginning to show signs of a turning point, and we expect this to continue into next year. And while yields remained stable for the majority of 2024, we expect them to compress in early 2025.

This year also saw a Labour Government come into power for the first time in 14 years, bringing a sense of certainty following the conclusion of the election. Looking ahead to 2025, there are several Labour initiatives which could start to feed through. Not least the

Invest 2035 strategy, with a vision to promote sustainable development, regional growth, and investment in infrastructure. And the revised National Planning Policy Framework (NPPF) will introduce a new 'grey belt' classification. Other considerations include the sustainability agenda, with next year expected to provide more clarity on the implementation of MEES ratings for CRE.

Additionally, the impact of Artificial Intelligence will continue to be felt, providing benefits through increased efficiency, but also the rising demand being placed on data centres. Trump's return to office in the upcoming year will also be an interesting one to watch.

For a comprehensive discussion of our predictions and thoughts for 2025, please [register to join our webinar on Thursday, 5 December.](#)



Thought of the Week

Navigate the ever-changing real estate landscape with CBRE's Thought of the Week. The series features our experts' views, offering insightful perspectives into the latest market trends in the UK that are shaping the industry.

[View Our Latest Thoughts](#)