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## UK Commercial Property Sees Robust Growth in H1 2025

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The UK's commercial property market has delivered a strong performance in the first half of 2025, with all major sectors recording capital value growth. Data released this month highlights retail and industrial properties as the standout performers, posting the highest total returns and underscoring a resilient recovery in the face of past economic headwinds.

This broad-based upswing signals a return of investor confidence, driven by improving market fundamentals and a cautious optimism about the UK's economic trajectory. Despite challenges posed by global uncertainties and a Labour government's policy direction raising concerns among some investors, the commercial property sector has shown remarkable adaptability.

The retail sector, long beleaguered by the rise of e-commerce and shifting consumer preferences, has staged an impressive comeback. Prime retail locations—whether in bustling city centres or well-connected regional hubs—are reaping the rewards of strategic reinvention. Retailers are blending physical stores with digital platforms, enhancing in-store experiences to draw footfall.

“Retail’s revival is a testament to its ability to evolve,” noted property consultant James Hartley in a recent interview with Property Week. “Landlords and tenants are collaborating to create destinations, not just shops, and it’s paying dividends.”

This adaptability has bolstered capital values, with high-quality retail assets proving particularly attractive to investors seeking stable returns in a volatile world.

The industrial sector continues to power ahead, fuelled by insatiable demand for logistics and warehousing. The e-commerce boom shows no signs of slowing, and businesses are prioritising rapid delivery capabilities, spurring investment in distribution centres. Supply chain reshoring, prompted by global disruptions, has further cemented the sector’s appeal.

Industrial properties, particularly those near major transport arteries, have seen capital values soar. Total returns in this sector have consistently outstripped others, reflecting its critical role in the modern economy.

Offices and alternative assets, such as student accommodation and life sciences facilities, have also contributed to the positive picture, though with more modest gains. Prime Grade A offices in key regional cities are in demand as firms prioritise sustainable, high-spec workplaces to lure workers back. However, hybrid working continues to temper growth in secondary office markets.

Alternative assets, meanwhile, are benefiting from long-term demographic and innovation trends. Purpose-built student housing and life sciences hubs are attracting capital as investors diversify portfolios.

With inflation cooling and interest rates stabilising, the commercial property market appears well-positioned for the second half of 2025. Investors are increasingly drawn to sectors that have navigated structural shifts with agility, though many remain wary of potential policy missteps from Westminster.

“The data paints an encouraging picture, but we’re not out of the woods,” cautioned Sarah Bennett, a senior analyst at CBRE, in a statement to Estates Gazette. “Sectors like retail and industrial are thriving because they’ve adapted. Others must follow suit, and policymakers need to avoid stifling growth.”

Environmental, social, and governance (ESG) considerations are also shaping investment decisions, with developers prioritising energy-

efficient buildings to meet regulatory and tenant demands. This focus is likely to drive long-term value, particularly in industrial and office sectors.

The first half of 2025 has been a period of robust growth for UK commercial property, with retail and industrial assets leading the charge. As the market continues to adapt to economic and societal shifts, the outlook remains promising, provided investor confidence is not undermined by external pressures. With capital values rising across all sectors, the stage is set for a dynamic second half of the year.