



Q1 2025

# COMMERCIAL MARKET & AUCTION OUTLOOK



# Welcome to our Commercial Market Report

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At Landwood, we specialise in selling a wide range of property across the UK, regularly dealing with all types of commercial sectors, land and large residential investor portfolios.

Leading this quarter's insights is Amy Selfe, a chartered surveyor with eight years experience with us at Landwood. Drawing on her expertise in valuation, insolvency and sales, Amy shared her insights on the UK commercial property market.

Whether it's single commercial units or large-scale investor portfolios, Amy's nationwide experience ensures this report is packed with actionable insights to help you navigate your next steps.



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# Our Insight

Amy comments: "As we move through Q1, sustainability is emerging as a major market driver and ESG standards are now a top priority for investors, with buildings certified by LEED or BREEAM in strong demand. Tenants are also increasingly looking for spaces that align with their own sustainability goals and meet UK net-zero targets, pushing developers to adapt. Prime assets are therefore very much in demand.

"The Revised National Planning Policy Framework (NPPF) is expected to tackle the current imbalance of supply and demand. It will simplify the planning process, speeding up approvals for key developments and also offers more flexibility, focusing on brownfield sites and reassessing underused land near green belts, providing new opportunities for development.

"Despite this reform, inflationary pressures continue to be a concern as the global economy recovers. Higher borrowing costs could temper enthusiasm for new commercial developments, but we're beginning to see borrowing costs ease. A recovering economy is likely to bring more buyers to the market and boost demand.

"Mixed-use developments remain popular, offering risk diversification across multiple sectors and continuing to prove resilient against market challenges.

"Looking at rental growth of 3.1 per cent to 4.1 per cent is forecast through 2028, fuelled by the continued demand for prime spaces. However, while supply is outpacing demand, high-quality assets, particularly in prime locations, are becoming increasingly rare. Vacancy rates have even declined for the first time in two years, further tightening availability.

"Operational costs, refinancing challenges and rising regulatory pressures is making it tougher for some property owners to hold onto their assets. As a result distressed sales are expected to jump by 42 per cent, with retail (64 per cent), office (48 per cent) and leisure (38 per cent) sectors forecast to be hit the hardest. This opens up opportunities for investors who can capitalise on distressed assets and reposition them for long-term value."

## Market Snapshot



Economic Growth: GDP on track for recovery following around 1% growth in 2024



Interest Rates: Two cuts already made, with another expected in February, supporting market recovery



Planning Policy: The Revised National Planning Policy Framework (NPPF) is set to bring positive changes and increase in prime stock

- Distressed Sales: Anticipated to rise by a net balance of +42 per cent, despite the economic uplift
- Rental Growth: Forecasted at 3.1 per cent - 4.1 per cent annually across the UK until 2028
- Supply & Demand: Supply is outpacing demand, but high-quality spaces are increasingly scarce
- Vacancy Rates: A slight decline for the first time in two years, even with weaker overall demand
- Logistics Growth: Areas with space shortages and late-stage developments will see stronger growth
- Office & Retail Demand: Core locations are set for strong demand and rental growth
- Office-to-Residential Conversions: Rising in some locations due to excess Grade B office stock and high residential demand
- Prime Retail & Leisure Real Estate: Forecasted to perform strongly

## KEY SECTOR GROWTH

# Industrial and Logistics

The industrial and logistics sectors are set to continue their strong performance in 2025, driven by the ongoing demand from e-commerce and the need for more efficient supply chains. Proximity to transportation networks and consumer markets remain a priority for new developments. Grade A units that meet net-zero and ESG targets are particularly in demand, while Grade B units are struggling to keep pace.

One of the sector's biggest challenges is power. Modern, energy-hungry units are often struggling to access the necessary power from the national grid, which is still largely based on 1990s infrastructure. Landlords are increasingly having to source additional power generators, which is an added cost for occupiers covering high energy bills.

Industrial and  
Logistics

## Offices

Although office-based employment growth slowed throughout 2024, it follows growth spikes in 2023 and the overall demand for office space remains strong. Occupier activity has slightly increased, driven by businesses planning for future growth and adapting to hybrid working models.

Looking at Manchester in particular, the office market has recovered to pre-pandemic levels in terms of occupied space, so now supply is low and new development is required. This demand is being generated by businesses wanting to relocate to the city centre to establish more presence in the market or downsizing larger premises to smaller but more modern spaces with amenities.

As demand for Grade B office space in some urban areas has slowed, developers are turning to solutions like office-to-residential conversions, especially in city centres with high demand and housing shortages. This trend of repurposing underutilised office buildings is expected to grow in 2025 as developers look to maximise the potential of existing real estate.

With a positive GDP growth forecast for 2025, we anticipate steady continued demand for office space.



Offices

## KEY SECTOR GROWTH

# Retail and Leisure

Retail and leisure sectors are showing strong signs of resilience and transformation heading into 2025. Retail parks are set to lead investment, with shopping centres gaining traction and seeing rising investment volumes year-on-year. The demand for mixed-use developments and experiential shopping experiences is driving this shift, as retailers focus on creating unique, in-person experiences that pull consumers back to high streets and shopping centres. Properties that combine retail with entertainment, dining and leisure spaces are expected to be in high demand, as locations like Liverpool 1 and the Trafford Centre continue to prove successful by blending leisure with retail to boost footfall. The recent opening of Gravity Max in Liverpool One's former Debenhams store is a prime example of how leisure can drive visits to retail spaces.

The pub sector continues to face challenges, as rising costs and cautious consumer spending make it harder to sustain price increases.

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Retail and  
Leisure







# What does this mean for me?

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*Amy comments: "Timing a sale is about understanding your position and the right expertise. At Landwood, every sale is partner-led and handled by experts who understand current market pressures. We ensure each asset is strategically marketed for the best possible value which is something we've built our reputation on."*

*"The gap between high-quality, carbon-compliant properties and lower-grade stock will continue to widen. At Landwood, we're ahead of this shift, adapting our strategies to target the right buyers and capitalise on the evolving market."*

# Recent Success Stories

At Landwood, we understand that successfully selling a property requires more than just setting a reasonable asking price and marketing it to potential buyers. All instructions are partner-led and use a tailored approach to address the unique aspects of every property and effectively meet our clients' needs.

This was evident in the sale of development land at Marsh Lane, Preston, with lapsed planning for a 63-bedroom hotel. Using a bespoke marketing strategy we targeted the right pool of buyers to secure a sale which completed within just eight weeks, leaving our client very satisfied with the result.

We also oversaw the successful sale of 10.25 acres of Grade II agricultural land next to Rutland Polo Club in the East Midlands. With a strategic positioning, we completed the sale within two months from launch to completion, securing a final price of £500,000.

We pride ourselves on being able to successfully deal with a wide range of properties and sectors and have experience dealing with complex sites. While our roots are in the North West, our reach spreads right across the UK.

Property Agents

## Live Listings



### Kenwood Road, Stockport

WAREHOUSE/INDUSTRIAL PREMISES

Guide Price: £625,000



### Chorley Magistrates

DEVELOPMENT OPPORTUNITY

Guide Price: £800,000



### 148-150 Kirkgate, Wakefield

MIXED USE INVESTMENT

Guide Price: £400,000

# Our Insight - Auctions

James Ashworth, Partner and Head of Landwood Property Auction and Agency Team, shares key auction market trends and insights:

The auction market has experienced significant activity in recent years, with fluctuations driven by supply, market conditions and evolving legislative pressures. According to the Essential Information Group (EIG) - the leaders in auction market data - the investment and tenanted stock market remains dynamic, with shifts in investor behaviour influenced by factors such as yields, average sale prices and property types. The Renters' Reform Bill, upcoming this year, adds another layer of complexity, as landlords and investors prepare for potential regulatory changes.

EIG's review of the UK-wide market reveals that the residential sector has seen the most growth, while the commercial sector has largely remained steady.

James comments: *"The trends highlighted by EIG reflect what we're seeing in the market. We've seen particular success in auction for commercial lots, especially when using a hybrid approach - combining private treaty marketing campaigns with auction. This approach has generated strong interest and allowed us to capitalise on both avenues."*

*"Looking ahead we predict continued changes to the residential landscape, especially with new legislation and regulations. These changes will drive supply and create opportunities for professional investors who are well-prepared to manage the added demands and risks of property ownership"*

*"On the commercial front we expect to see a steady uptick in stock. The current economic climate is pushing some businesses to reduce costs and rethink property ownership. As always, this creates opportunities for forward-thinking investors who are prepared to adapt to evolving occupier requirements."*

*"This outlook follows our auction team's most successful year on record with a 43 per cent increase in the number of properties sold and a 12 per cent rise in capital receipts generated for clients."*

*This success has been driven primarily by large residential investment portfolios, some of which were in distress, with tenant arrears and statutory compliance issues. Despite these challenges, our success rates have remained high, with strong demand from seasoned investors and traders."*



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# Recent Success Stories

Our unique online property auction has redefined the landscape of commercial and residential property auctions in the UK, standing as the only property auctioneer that conducts fully online auctions on a weekly basis and to a global audience of bidders.

Key auction highlights include the £2.65m sale of Hadley Grange in Buckinghamshire after a Proceeds of Crime order and a converted period property in Ealing that exceeded its reserve by over £425,000 with over 218 bids made. The quirkiest property Landwood dealt with in 2024 was undoubtedly the former toilet block in Formby which ultimately went for £85,000, from a guide price of £30,000.



Hadley Grange, Beaconsfield



Twyford Avenue, Ealing



WC, Formby



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# About Us

Established in 2008, Landwood Group are leading chartered surveyors, asset managers and auctioneers providing an unrivalled service across property and plant & machinery assets.

Our partner-led approach ensures your assets are handled by seasoned professionals, able to excel in extracting value from unique and challenging instructions. Trust our expert team to exceed your expectations.

## Our Key Sectors:

- + Business recovery & restructuring
- + Accountants
- + Banks
- + Commercial finance
- + Specialist & asset based lenders
- + Peer-to-peer lenders
- + Corporate finance advisors
- + Lawyers
- + High-net-worth individuals
- + Property owners and investors
- + Asset managers
- + Local authorities

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