



High growing yield and double-digit upside: what's not to like about UK listed property in 2025?



As we move into 2025, Matthew Norris, manager of the VT Gravis UK Listed Property (PAIF) Fund, takes a look at what investors can expect from the UK listed property sector over the next 12 months.

"The outlook for 2025 is more positive than it has been for some time. There are exciting times ahead for investors in UK listed property."

Key take-outs:

- M&A activity and take-private transactions to continue apace
- Increased equity issuance to fuel future growth
- Fastest rental growth in student accommodation and build to rent
- 5% yield, 5% growth and 20% potential upside
- Investor interest surged in Q4 2024

What trends will we see in commercial property in 2025?

M&A is a trend that resumed in earnest this year and is likely to continue into 2025. We had consolidation with the likes of Shurgard buying Lok'nStore, the self-storage company that we invested in. We also witnessed an increase in 'take-private' transactions. Brookfield, for example, bought Tritax Euro Box, another company held in our fund. As we look to 2025, I think there'll be more M&A in the sector because valuations remain at a discount to asset values and rental growth prospects for certain mega trends are very encouraging.

In addition to M&A, I expect there to be more equity issuance. This was another trend that



began to surge in 2024. £2.2 billion worth of new equity was issued by existing companies. That £2.2 billion exceeded the aggregate amount raised in both 2023 and 2022 combined. Looking out to 2025, I expect to see more equity issuance from those companies that have great development pipelines and want to fuel their future growth.

Which sector dynamics will be key?

Both the purpose-built student accommodation sector and the build-to-rent sector are likely to witness the fastest rental growth across commercial real estate in 2025.

I also expect supply to remain moderate. We've come out of a period of high build cost inflation and high development financing. The cost of debt is likely to edge higher, but the companies that we invest in have a loan to value of about 30%, and the rental growth that they'll achieve is likely to more than offset that.

What does that mean for dividends?

It means we expect to see dividend growth in 2025. If you look at analyst consensus forecast, the forward dividend yield on the companies that we invest in is a little over 5%. Analysts are forecasting that the

dividends will grow by about 5% in 2025 as well. And if you look at the upside to consensus price target, that's 20% plus, similar to the upside to net asset values. So 2025 looks like it will be a year of yield, plus growth, plus upside potential.

Are investors interested in the property sector?

We've clearly entered the easing cycle and Bank of England base rates are likely to come down further in 2025.

That's good news for investor sentiment, which has improved meaningfully since the inflection point in the market in October 2023, when REIT valuations traded at a significant discount. Investors started to be attracted to the sector in 2024, but there was clearly some political uncertainty in the market, which led some to press the 'pause' button.

As we enter into 2025, we think those investors have pressed 'play'. We've certainly seen material inflows into our fund in Q4 2024, and we expect those inflows to continue into 2025.





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