BE NEWS

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THE 2025 REVIEW/2026 PREVIEW DEBATE

After a tumultuous 2025, senior figures from leading propcos, funds and banks join Newcore Capital and *BE News* to look ahead to 2026 and ask what lessons can be learned from last year

INDUSTRY GUESTS:

Emily Bohill, managing partner, Bohill Partners

Pete Cooper, founder, XPE Group

Basil Demeroutis, managing partner, FORE Partnership

Siobhan Gall, head of real estate, regions, at HSBC

Jonathan Gardner, chief operating officer, Mirastar

Louise Gillon, director, head of hotels, Puma Property Finance

Hugo Llewelyn, chief executive, Newcore Capital

Katerina Papavasileiou, director, ESG and responsibility, Federated Hermes

Martin Samworth, chairman, Ringley

Steven Skinner, chief executive, HB Reavis

Tim Thorp, chief operating officer, Newcore Capital

Liz Hamson, editor-in-chief, *BE News* (chair)

The built environment sector faced a number of financial challenges in 2025, ranging from US president Donald Trump's trade tariffs to the National Insurance hike. The year ended with a Budget that many said "could have been worse" and the Bank of England cutting interest rates in December from 4% to 3.5% – their lowest level for three years.

A panel of senior industry figures gathered at sponsor Newcore Capital's central London offices to look back on 2025 and give their predictions for 2026, focusing on the main challenges and opportunities ahead.

QUESTION: What were your impressions of the Autumn Budget? Was it good or bad news for the industry?

LLEWELYN: The only thing that matters to us is that the bond markets didn't blow up because of it.

THORP: It wasn't inspirational, particularly as Labour, before they came to power, were talking about growth. This has gone off the agenda. What is lacking from the government is real leadership about getting the economy working again. In that sense, the Budget was uninspiring, with it turning into a political squabble about spending and welfare.

BOHILL: Global investors crave the three Cs: communication, clarity and confidence. They haven't had these for so long. People want inspiration; they want leadership.

SKINNER: For investors, cost of capital is everything. It's high in the UK, especially compared with Europe, but reassuringly it didn't go any higher. Still, we should be concerned about growth as many sectors are slowing down the pace on the rental side.

We have been active and interested in some more operational real estate, like managed hotels, potentially self-storage, but the slowdown makes us stop immediately, especially if you take the increase in business rates on those two sectors, because as an owner you are responsible for that cost. You see some wild numbers: a 125% increase in rates for hotels, 25% in industrial and 100% in self-storage.

QUESTION: How was the Autumn Budget affected by geopolitical factors?

LLEWELYN: I'll give a simplistic view. Around 2020, money was free. You could borrow it for nothing, so people did and they consumed massively, which caused huge stress on the planet. It meant lots of retail and increased demand from industrial and logistics.


Steven Skinner


Hugo Llewelyn

But since 2022, money costs at least 5%, probably 10%, so people, companies and states have changed their behaviour, and geopolitically it's changing behaviour as well. Nationalist politics comes from people feeling they're poorer and it cascades from the cost of financing in the last three years.

COOPER: If it's geopolitics, there's not much we can do about that right now. All prime minister Keir Starmer can do is get in there and try his best. But these situations are outside his control. If this had been a strong, robust Budget, and we had someone like Gordon Brown saying "look, it's all right, don't worry, I'm going to flatten everything out", someone with that reputation, then we can only wonder whether it would have made a difference to the market.

> ***For investors, cost of capital is everything***
>
> *Steven Skinner*

QUESTION: How are different property sectors faring and what's going on in the recruitment market?

BOHILL: In recruitment, there's been disruption across every metric, and what's


Jonathan Gardner


Emily Bohill


Louise Gillon

been remarkable is how quickly markets have responded. However, the mid-market is challenging, with private equity companies that have stranded assets or are facing a testing time in asset-managing.

What we will see is more churn in US-owned companies. They are having a healthy wake-up call about how they are thinking about diversity, equity and inclusion (DE&I). Their language is changing, but they're still hiring. They're still pressurising us for diverse shortlists. They're thinking differently. It's not just gender diversity. It's recruiting out of the sector – socio-economic diversity.

GILLON: The hotel sector will face headwinds thanks to the continued increase of the minimum wage, but we'll see that throughout the whole of operational real estate. As a result, investors are trying to develop strategies to help profitability going forward. For instance, we are seeing a focus on technology to try and address some of those areas, with the likes of self-check-in.

GARDNER: It seems every six months during the last two or three years in the industrial and logistics market occupiers have had some shock that's hit them, and they've had to completely rethink. Last year, it was the Budget with National Insurance contributions.

When everyone was getting back into the swing of things in spring, Trump announced tariffs. That's taken months to unwind and our manufacturing enquiries have still not recovered. Retail has recovered better with ecommerce creeping back around the edges.

> ***What we will see is more churn in US-owned companies***
>
> *Emily Bohill*


Katerina Papavasileiou


Tim Thorp


Siobhan Gail

QUESTION: What impact did Trump have on things like environmental, social and governance (ESG), DE&I and transaction activity last year?

PAPAVASILEIOU: He created a pause in the market and how we see things. Trump is a disruptor. In Europe and the UK, we need to start thinking more about how we deliver, cut through the noise and focus on what matters most and how we can progress commitments to sustainability and net zero.

DEMEROUTIS: There are a couple of things about the disruption that Trump et al have caused. It's been unhelpful, but not necessarily unhealthy, because it's forced many people who have done ESG as a badge to reconsider why they're doing it. And it's forced an economic lens on to something that was quite nebulous.

SAMWORTH: If you went back to Expo Real two years ago, the theme was 'Survive to '25' – 2025 came and lots of people have survived and lots haven't. The market didn't take off in the second half of last year in the way people hoped it would and it may take till the second half of 2026 to do that.

We are past the worst bit of the U-bend and we're coming out the other side. But I'm not convinced it is going to be hockey sticks up in 2026. It will gradually improve this year and will get traction in 2027.

GALL: I slightly disagree about the lack of activity, particularly at the back end of the last year. We've seen large portfolios and single assets change hands. We've seen clients raise money and deploy capital in the back part of this year.

We believe in our longer-term strategy. We are real estate investors – we're not here for just a year or two or three. This is a long-term play.

QUESTION: On AI tech and data, are we going to see the much-talked-about bubble burst?

THORP: When you step back and look at the investment going into AI, it is currently a race with people pouring vast amounts of money in. Inevitably, there will be winners and losers.

I would be cautious about being negative about the outlook in the medium term while the technology is still getting established. But when it is fully working, it will be a different world and it will shake things up.

QUESTION: Will AI lead to the hiring of more people across the sector or will there be job losses?

GILLON: AI will make things more efficient. It does amazing things. It is fascinating, but it does occasionally spew out inaccuracies, so you still need people who know their stuff or understand what is relayed is factually

Basil Demeroutis

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Liz Hamson

correct. In the future, you will have people who will specialise in something slightly different. For instance, instead of doing the legwork, it will be a knowledgeable person to interpret whether [the facts are true].

GALL: AI will lead to a different shape of workforce. It will be smaller, but that will be because we will be doing different things with each other.

DEMEROUTIS: We do not have a great history with innovation in real estate. We slept through 3G, 4G, 5G, the dawn of the computer. What we're mostly doing as an industry is trying to figure out how to use AI and these technology tools for greater efficiency – to replace processes we're already doing to make them faster, more economic, more accurate.

While this is interesting, it is not the direction that is most interesting, which is: what can AI unlock? Consider if we could ask these tools deeply human questions that as an industry we've not yet even started to talk about.

QUESTION: What's the outlook for capital flows and which will be the hottest sectors?

COOPER: Capital flows are difficult. People are sitting on things, and they don't know

Pete Cooper

Martin Samworth

what to do. If they think like Martin, that there's going to be a bump up in late 2026 and 2027, you might be OK; you might hang on for a while.

There's still money in retail because it has bottomed out and we are starting to fix it. For example, it has taken five years to work out what to do with Debenhams and now the better stores are getting a new life.

GARDNER: Occupationally, barring another light at the end of the tunnel that turns out to be a train coming the other way, we're hoping for better year this year. In terms of sectors, beds and sheds are still in vogue, although those markets been harder of late.

SKINNER: From an investor perspective, there is strong demand for data centres if you've got the capacity to invest enough. However, in the UK, my understanding is that the cost of energy here is so uncompetitive that if you can put your data centre in another country, you will.

The price per kilowatt in southern Europe is a fifth of what it is here, and so with those very large data centres, investors are saying we just won't put them in the UK because it's just too expensive, and that is a challenge.

QUESTION: Do you feel more or less optimistic than you did 12 months ago and what will be the big industry trend in 2026?

SAMWORTH: Last year was solid. It didn't go crashing down. It didn't go rocking up. But I do feel more optimistic than this time last year.

The trend we must watch out for is the impact of technology. It is the biggest single issue we need to all face.

Whether that's how you embrace AI to make yourself more efficient or to make more informed decisions or to streamline your business, it is going to have an effect. If you don't embrace that, then you've got a big problem.

PAPAVASILEIOU: I've got two words for 2025: shock absorber. I am less optimistic in terms of climate and how we're progressing on our commitments, but optimistic in terms of markets.

The trend for 2026 should be an increased awareness of climate risk and how this will affect investment decisions. □

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