

REVIEW

CAPITAL MARKET

EUROPE H1 2025

RESEARCH & INSIGHTS



**BNP PARIBAS
REAL ESTATE**

Real Estate for a changing world



H1 2025

CAPITAL MARKET EUROPE

GDP data in the first half of 2025 was distorted by US tariffs. As a result, strong activity in Q1 was followed by much weaker activity in Q2. Looking ahead, looser fiscal policy will support growth.

€76.7bn was invested in commercial real estate over the first half of 2025, a small increase on H1 last year.

KEY FIGURES

€76.7bn +4 % y/y
Investment volume H1 2025

€19.6bn +2% y/y
Office volumes now growing again

€19.1bn +7 % y/y
Logistics shows steady growth

€17.5bn +15% y/y
Retail seeing many more buyers

€10.4bn -9 % y/y
Hotel activity scaled back from 2024

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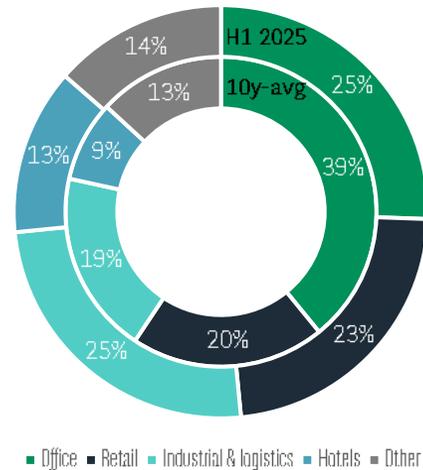


MARKET OVERVIEW

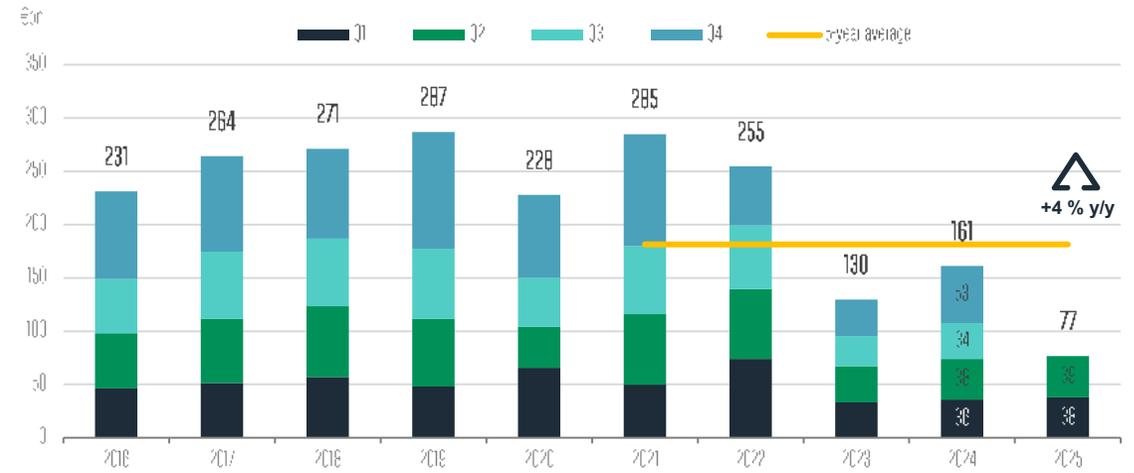
Uncertain market sentiment slowed the pace of recovery over H1 2025 with differences in capital deployment across asset classes compared to 2024. Office investment volume at €19.6bn maintains a stable performance this half-year. The strongest sector was retail where €17.5 billion were spent (+15%), continuing growth seen earlier in the year. Logistics at €19.1 billion showed growth (+7%) supported by Q2 and its market share of 25% remains above its 10-year average. Hotels (€10bn), the leading asset class by volume growth throughout 2024, slowed in H1 2025, though its market share of 13% remains good.

Foreign capital at €32.9 billion is around 43% of total investment, with European cross-border investment maintaining its leading position. American capital dropped back in H1 (-6%). After a strong deployment in 2024, they may be awaiting new opportunities. The extent to which the changing trade situation will deter further investment remains to be seen. European prime yields across all asset classes continued the stability seen since Q4 2023. Locally, more compression signals for both retail and office occurred in various markets such as Madrid and Milan.

Market share by asset type



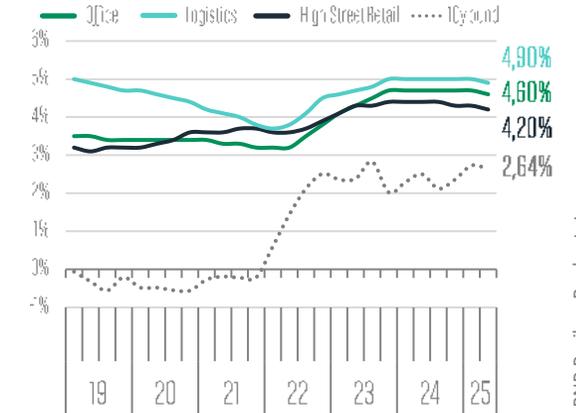
European CRE Investment volume



Capital flows

	H1 2025	VS. H1 2024
Europe	€13.6bn	+17%
Americas	€11.2bn	-6%
Middle East	€1.0bn	+29%
APAC	€3.8bn	+33%

Average prime yields



Source : BNP Paribas Real Estate



KEY FIGURES

Spain
+57% vs. H1 2024
Investment volume

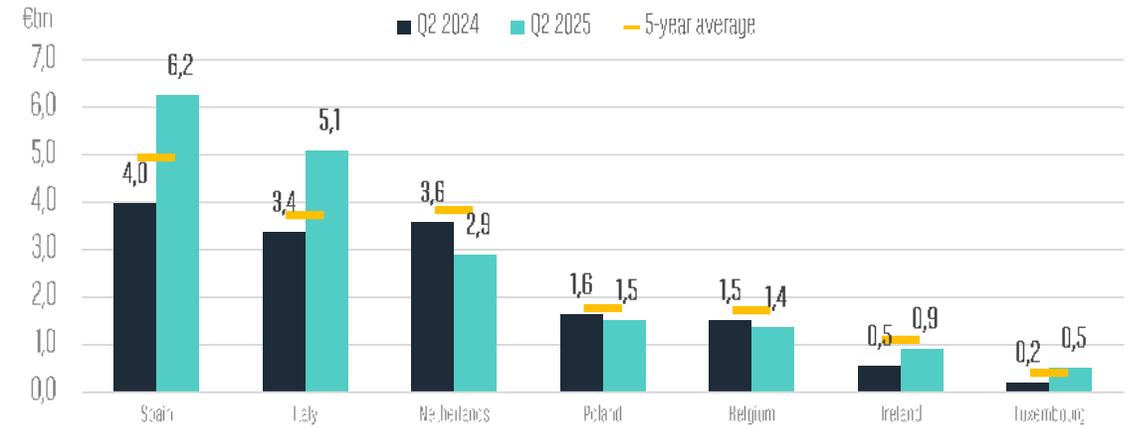
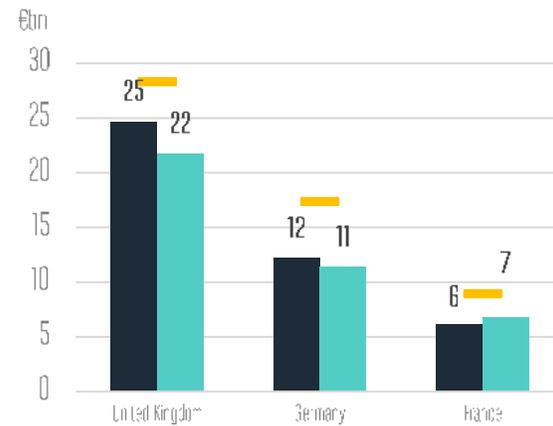
Italy
+51% vs. H1 2024
Investment volume

SIGNIFICANT DEALS

QUARTER	ASSET CLASS	LOCATION	BUILDING NAME	VOLUME
Q2	Industrial & Logistics	United Kingdom	Urban Logistics REIT PLC	€1.2bn
Q1	Industrial & Logistics	United Kingdom	Oxford EWEA Portfolio	€840m
Q1	Retail	Paris, France	Kering Portfolio	€837m
Q1	Office	Berlin, Germany	Upper West	Conf.
Q1	Senior Housing	Hamburg, Germany	Pflegen & Wohnen Portfolio	Conf.
Q1	Office	La Défense, France	Trinity Tower	€348m
Q1	Retail	Valencia, Spain	Bonaire shopping centre	€305m
Q2	Office	Madrid, Spain	Ramirez de Prado street	€265m
Q1	Industrial & Logistics	Italy	Techbau Portfolio	€258m
Q1	Retail	Sanremo, Italy	The Mall Luxury Outlet	€249m

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H1 2025 CRE Investment volume per country



At €40bn over H1 2025, the market share of the big 3 countries (UK, Germany and France) represents 52% of the investment volume.

The backdrop of global macroeconomics uncertainties resulted in slower momentum in two of the big 3. Germany's total investment volume declined by 7% and the United Kingdom by 12% compared to H1 2024. Momentum may restore in the second half, especially by Q4. In contrast, French investment volumes grew by 11% reaching €6.8bn, where offices (+35%) and retail (+56%) drove the growth.

Spain showed €6.2 billion for the first half of 2025 thanks to a surge in Q2 of almost €4bn, its best quarterly performance since Q3 2022. Growth occurred across all asset types but especially in Offices at +155%. Italy's investment grew by 51% in H1 to reach €5 billion. This continued the expansion started in 2024 and was driven by retail and hotels that reached almost €2.5bn (+156% vs H1 2024). Ireland also expanded by +69% thanks to the retail sector doubling its volume and office growing by 194% (vs H1 2024).



Source : BNP Paribas Real estate



H1 2025

CAPITAL MARKET EUROPE

KEY FIGURES

4.60%
European average
prime office yields

▼ -10 bp y/y
▼ -10 bp q/q

4.20%
European average
Prime high street retail yields

▼ -10 bp y/y
▼ -20 bp y/y

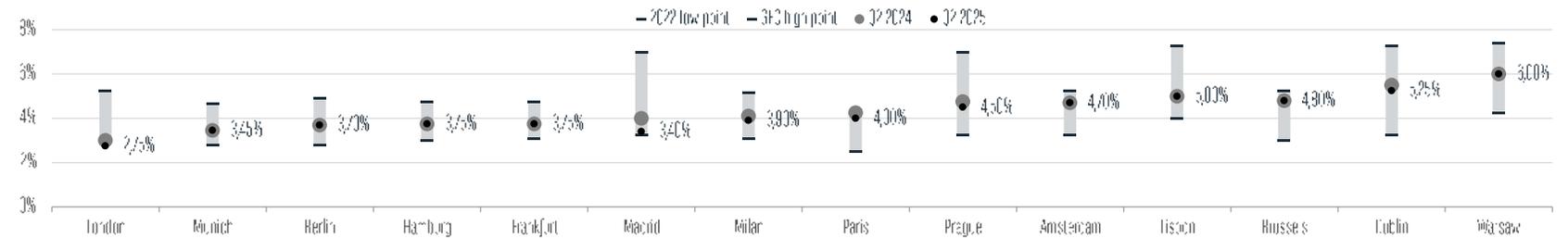
4.90%
European average
prime industrial & logistics yields

▼ -10 bp y/y
▼ -10 bp q/q

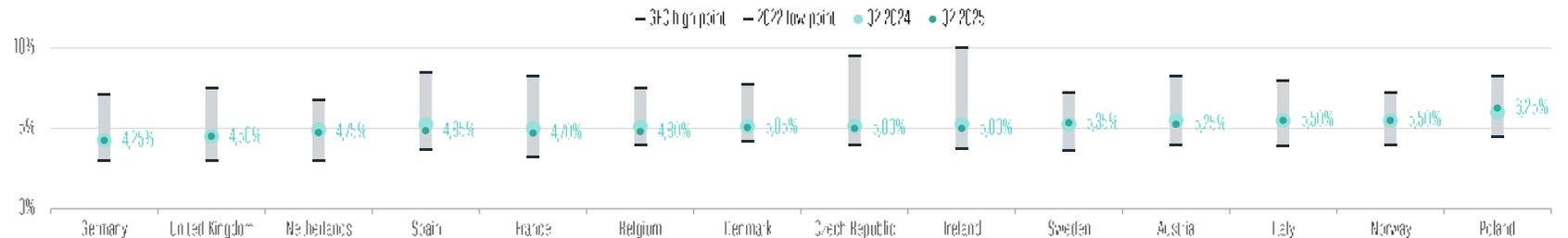
Prime office yields



Prime retail yields



Prime logistics yields



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BNP Paribas Real Estate is working on producing indicators which are as comparable as possible. This is a complex issue, due to cultural differences from market to market. Nevertheless, as we aim to actively contribute to the transparency of the markets, we have highlighted those definitions and indicators which are strictly comparable, so that our readers can understand what the indicator's mean.

Exchange Rates into € are the average value observed over the quarter.

LETTINGS & SALES

Take-Up represents the total floor space known to have been let or pre-let, sold or pre-sold to tenants or owners-occupiers during the survey period.

It does not include space that is under offer

- A property is deemed to be "take-up" only when contracts are signed or a binding agreement exists
- Pre-let refers to take-up that was either in the planning or construct on stage
- A.L deals (including pre-lets) are recorded in the period in which they are signed
- Contract renewals are not included
- Sales and leasebacks are not included as there had been no change in occupation
- Quoted take-up volumes are not definitive and are consequently subject to change.

The breakdown of take-up by business sector is comparable with the European NAACE code.

Vacant space represents the total floor space in existing properties, which are physically vacant, ready for occupation in the next three months (this period covers fit-out time) and being actively marketed at the survey date. Vacancy includes sublet space (except in Germany), but where possible, vacant sub-let space is recorded separately.

In France, vacancy excludes premises which the owner will renovate only once a lease is signed. Spain only counts immediately available space.

Vacancy Rate represents the total vacant floor space including sub-lettings divided by the total stock at the survey date.

Development Pipeline represents the total amount of floor space for all developments under construction and/or schemes (including major refurbishments) that have the potential to be built in the future through having a secured level of planning permission but remain uncompleted at the survey date. It includes all proposed new buildings, those constructed behind retained facades and buildings (or parts of buildings) undergoing a change of use to offices.

Completions represent the total amount of floor space that has reached practical completion and is occupied, ready for occupation or an occupancy permit where required has been issued during the survey period.

Under Construction represents the total amount of floor space in properties where construction has commenced on a new development or a major refurbishment (see separate definition) at the survey date. It includes properties for owner occupation, which are reported separately. It does not include sites being cleared for possible development in the future.

Property that is under construction but pre-let or for owner occupation is recorded separately where appropriate.

Major Refurbishments represents refurbishments, where building work must involve either structural alteration, and/or the substantial replacement of the main services and finishes. The quality of the floor space must have been substantially improved from its previous condition so as to offer accommodation of a modern standard – although not necessarily to the standards of a completely new building.

Prime Rent represents the top open-market rent at the survey date for an office unit:

- of standard size commensurate with demand in each location
- of the highest quality and specification
- in the best location in a market

Actual transactions are used in France, Germany and Belgium to support the headline prime rental figures, but one-off deals, which do not represent the market, are disregarded. In the UK & Spain, if there are no prime

transactions during the survey period a hypothetical rent is quoted, based on expert opinion of market conditions.

Central Business District average rent is the average of each of the last four quarters' average headline rent in the CBD. Each quarterly average rent is weighted by the surface of each leased during the quarter, in either new or second-hand premises. The definition of CBD corresponds to local convention.

Central London includes the following districts: West End, Midway, City, Docklands, Southbank, Western Fringe and Northern Fringe.

Central Paris includes the following districts: CBD, Paris out of CBD, La Défense, Western Crescent and Inner Rim.

INVESTMENT

Investment volume takes into account all commercial properties BNP Paribas Real Estate is aware of, whose owner has changed during the studied period, whatever the purchasing price. It includes **Office buildings, Retail** (supermarkets, hypermarkets), **Industrial and Logistics Warehousing, Hotels and Others** (Cinema, Leisure, Car Parks, Care Homes, parts of portfolio which can not be split up by product, and Development Sites in Germany). Quoted investment volumes are not definitive and are consequently subject to change.

Full-year investment volumes are made up by adding the four quarters of each year.

Initial Prime Gross Yield is defined as Gross income (i.e. income before costs of ownership) over purchase price excluding costs of acquisition.

Initial Prime Net Yield is defined as Net income (or NOI) over purchase price plus all other costs of acquisition.

Investment volume by investor/seller type refers to the following categories: Insurance, Private Investors, Public Sector, Corporates, Property Companies & REITs, Consortium, Funds and Other.

Investment volume by investor/seller nationality refers to the following categories: Eurozone, Non-Eurozone, North America, Other America, Asia, Middle East, Australia, International and Other.



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