

REVIEW

CAPITAL MARKET

EUROPE Q1 2025

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RESEARCH & INSIGHTS



**BNP PARIBAS
REAL ESTATE**

Real Estate for a changing world



Q1 2025

CAPITAL MARKET EUROPE

A shift in US trade policy has weakened the global economic outlook. However, we expect looser fiscal policy and further interest rate cuts to mitigate the impact in Europe.

€36bn were invested in commercial real estate over the first quarter of 2025, marking a steady performance compared to the same period last year.

KEY FIGURES

€36bn +1 % y/y
Investment volume Q1 2025

€10bn +10% y/y
Offices recorded a positive early-year performance

€8.1n -8 % y/y
Logistics dipped slightly

€9bn +14% y/y
Retail increasingly attractive to buyers

€5bn -5 % y/y
Hotel activity scaled back from 2024



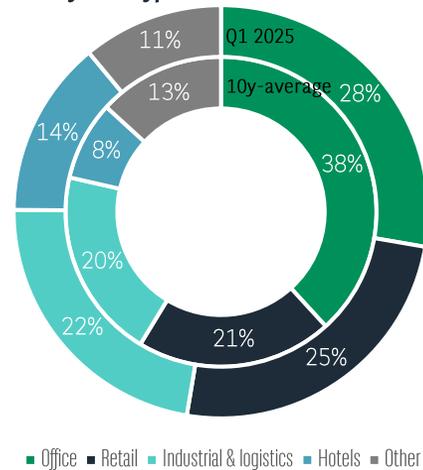
MARKET OVERVIEW

Office investment volume at €10 billion shows an encouraging upturn of +10% growth compared to Q1 2024. Retail at €9 billion continues to progress at +14% (vs. Q1 2024) and may grow further over the year. Logistics at €8.1 billion is lower (-8%) though still shows a market share of 22%, above its 10-year average. Hotels (€5bn), the leading asset class by volume growth throughout 2024, slowed in Q1, though market share of 14% remains good.

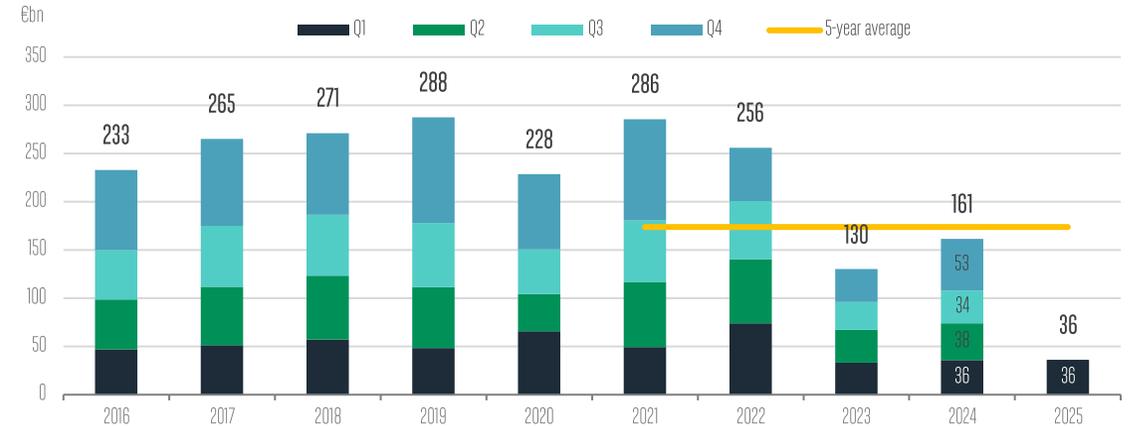
Foreign capital at €14.6 billion is around 41% of all investment. European investment (+35% vs. Q1 2024), maintains a leading position. American capital dropped back in Q1 (-25%). American investors, historically, are early movers, taking advantage of pricing situations of the sort that emerged end 2024. They may have deployed capital, awaiting new opportunities. The complicating factor is geopolitics. It remains to be seen whether the developing trade situation will deter further investment.

Prime yields across all asset classes have maintained stable since Q4 2023. Some cities show compression signals for retail such as in Central London (2.75%) and Paris (4.00%).

Market share by asset type



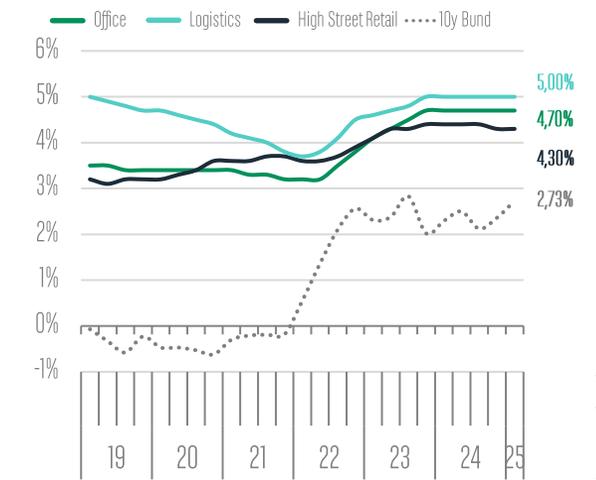
European CRE Investment volume



Capital flows

	Q1 2025	VS. Q1 2024
Europe	€7.4bn	+35%
Americas	€4.6bn	-25%
Middle-East	€700m	+36%
APAC	€1bn	+75%

Average prime yields



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Q1 2025

CAPITAL MARKET EUROPE

KEY FIGURES

+20% vs. Q1 2024
Investment volume
France

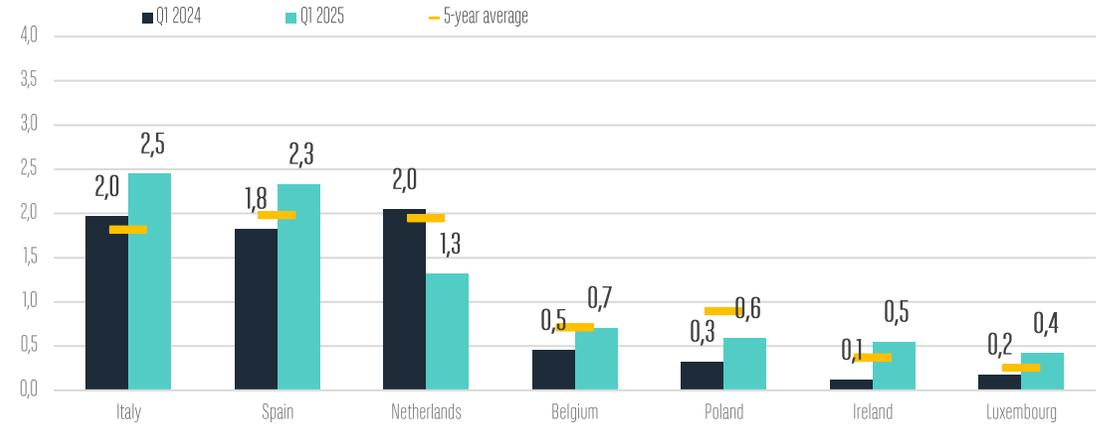
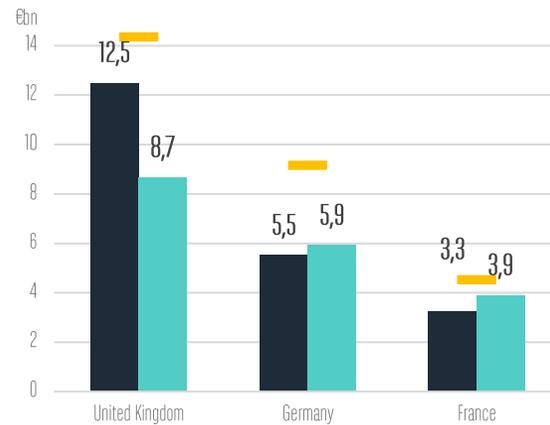
+28% vs. Q1 2024
Investment volume
Spain

SIGNIFICANT DEALS

QUARTER	ASSET CLASS	LOCATION	BUILDING NAME	VOLUME
Q1	Industrial & Logistics	United Kingdom	Oxford EMEA Portfolio	€840m
Q1	Retail	Paris, France	Kering Portfolio	€837m
Q1	Retail, Office, Residential	Covent Garden, United Kingdom	Shaftesbury Capital Portfolio	€793m
Q1	Office	Berlin, Germany	Upper West	Conf.
Q1	Office	La Défense, France	Trinity Tower	€350m
Q1	Retail	Valencia, Spain	Bonaire shopping centre	€305m
Q1	Industrial & Logistics	Italy	Techbau Portfolio	€258m
Q1	Retail	Wustermark, Germany	Designer Outlet Berlin	€230m
Q1	Industrial & Logistics	Italy	Zephyr Project	€200m
Q1	Retail	Madrid, Spain	Xanadu shopping centre	€200m

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CRE Investment volume per country



At €18.5bn over Q1 2025, the market share of the big 3 countries (UK, Germany and France) represents half of the market.

Germany maintained its upward trajectory (+7% vs Q1 2024) driven by office investment that reached €1.8bn, double that seen in Q1 2024. French investment volumes grew by 20% reaching almost €4bn. This was mostly the result of three major deals accounting for 36% of total volume. This is a positive development as large volume transactions have been absent from the market. French Office (+ 45% pa) and Retail (+ 183% pa) grew particularly strongly. Logistics experienced a decline this quarter yet still shows +54% growth over the past 12 months. In the UK, pull back from large transactions led to an investment volume drop of 31% to €8.7bn, the lowest Q1 performance since 2010. Some large-scale deals did occur in the London office segment and that led to +6% rise in office volume overall compared to Q1 2024.

In Spain, number of transactions rose sharply by 63% to €2.3bn. The retail sector was the focus of activity with 33% of all investment, driven by the high-volume deals of Bonaire and Xanadu shopping centers.



Source: BNP Paribas Real Estate



Q1 2025

CAPITAL MARKET EUROPE

KEY FIGURES

4.70%
European average
prime office yield

➤ +0 bp y/y
➤ +0 bp q/q

4.40%
European average
Prime high street retail yield

➤ -10 bp y/y
➤ +0 bp q/q

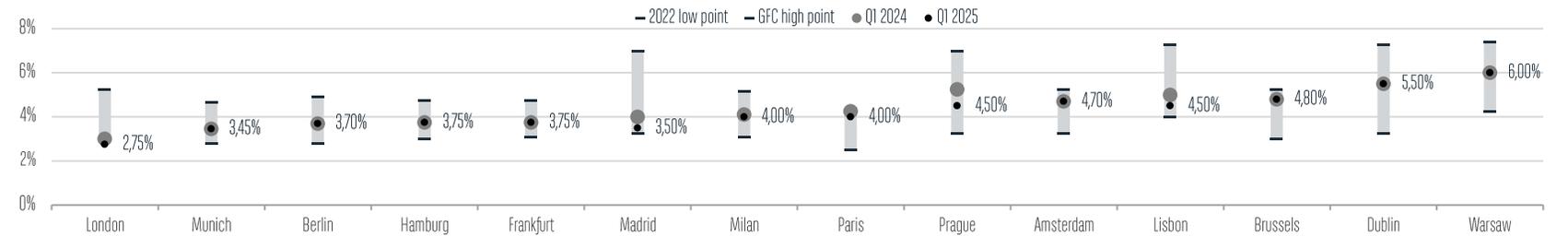
5.00%
European average
prime industrial & logistics yield

➤ +0 bp y/y
➤ +0 bp q/q

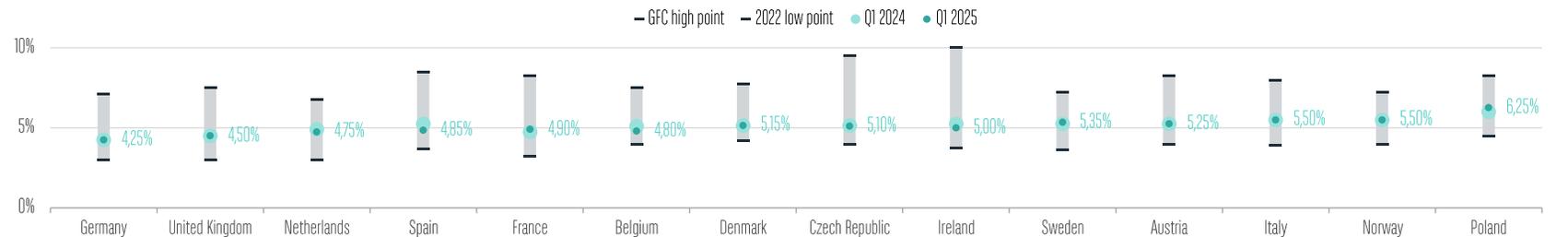
Prime office yields



Prime retail yields



Prime logistics yields



Source: BNP Paribas Real Estate

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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 indicators 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 owner-occupiers during the survey period.

It does not include space that is under offer

- A property is deemed to be "taken-up" only when contracts are signed or a binding agreement exists
- Pre-let refers to take-up that was either in the planning or construction stage
- All 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 compatible with the European NACE 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 unimplemented 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 standard 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 quoted, 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 lease signed during the quarter, in either new or second-hand premises. The definition of CBD corresponds to local conventions.

Central London includes the following districts: West End, Midtown, 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, 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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