

EUROPE CRE 360

**ECONOMIC OUTLOOK
REAL ESTATE PERSPECTIVES**



GLOBAL RESEARCH
February 2025

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**BNP PARIBAS
REAL ESTATE**

Real Estate for a changing world

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EXECUTIVE SUMMARY

IN A NUTSHELL



GRADUAL ECONOMIC RECOVERY

- European economies lost significant momentum towards the end of 2024.
- Uncertainty around trade with the US will pose a challenge this year.
- However, falling interest rates should support modest economic growth.
- We expect eurozone GDP to grow by 0.9% y/y in 2025 and 1.0% y/y in 2026.



LOGISTICS INVESTMENT IS BOUNCING BACK UP

- Investment activity finds its way back to growth, +23% in 2024. Yield decompression has closed with stabilisation recorded almost everywhere in Europe.
- The occupier market decreased by 9% in the leading European markets compared to 2023. Apart from Spain, demand has been lagging in most countries. The lack of new developments remains supportive of rental growth in prime sectors although weaker demand offsets its momentum.



ROBUST REBOUND FOR CAPITAL MARKETS

- €157bn were invested in Europe in 2024, rising by +21% compared to 2023. The increase is driven by all asset classes.
- It is now evident that the trough was reached at the end of 2023 and 2024 marks a dynamic and anticipated recovery.
- More stability is emerging in the macroeconomic and financial backdrop as central banks move into the next phase of policy.



RETAIL: PROMISING PROSPECTS FOR OCCUPIER MARKET

- Retail recorded a significant rebound of 24% in investment volume over the past 12 months. Investors show most confidence in the core markets, as Germany and the UK captured half of transaction volume.
- The occupier market proved resilient, notably thanks to the continuing strong flow of tourists which is returning to pre-pandemics levels. Furthermore, the slowdown of inflation rate will impact positively real wages and consumer confidence, thus boosting domestic consumption across Europe.



OFFICE LETTING: TAKE-UP IS STABILIZING

- 7.96 m sqm has been transacted in 2024 in the 18 main European markets, in line with the 2023 results.
- The overall result remains below the long-term average (-15%) reflecting the ongoing structural changes in the office market where occupier activity focuses on smaller but more efficient premises.
- Sluggish economic growth and cooling job markets in the major European countries may continue to weigh on demand in the short term.



RESIDENTIAL: HETEROGENEOUS MOMENTUM

- Residential investment is recovering and reached to €32.8bn (+1.6% y/y) in 2024.
- House prices in Europe are expanding again +2.7% y/y across European cities but momentum is heterogeneous across Europe. At the same time, rental values are still booming, +4.2% y/y in Q3 2024 owing to the supply shortage and the ongoing regulations in Europe.

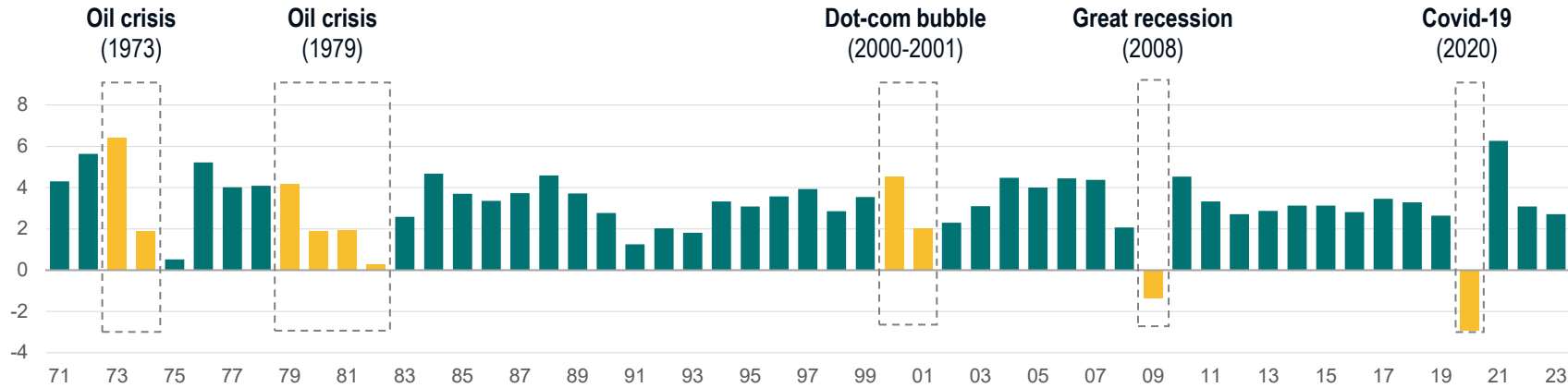
01.

ECONOMIC OUTLOOK

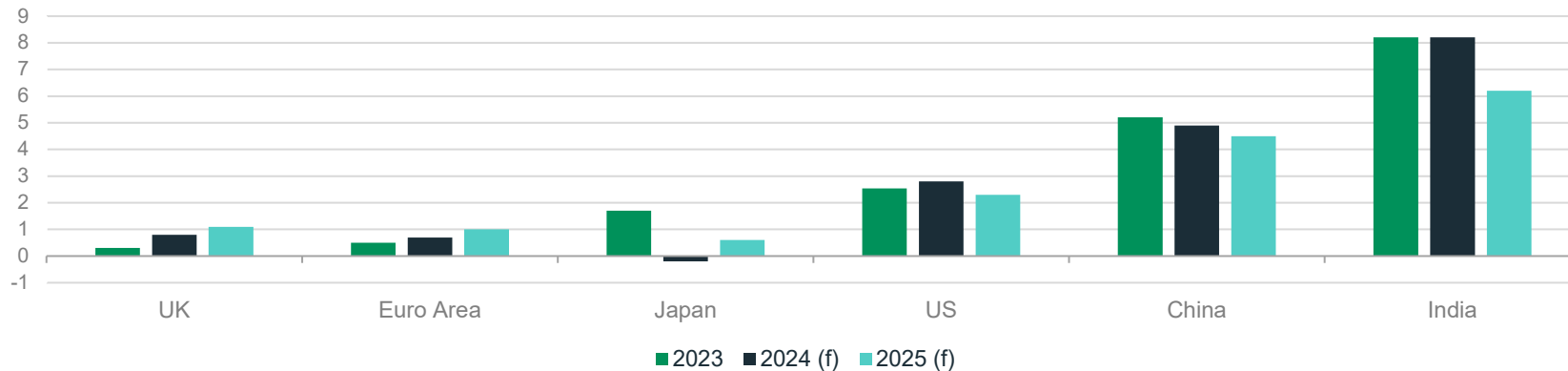
GLOBAL ECONOMY

MODERATE PACE OF GLOBAL GROWTH

World GDP Growth (% Y/Y)



GDP Growth (% Y/Y)



Gradual recovery in Europe, while growth cools elsewhere

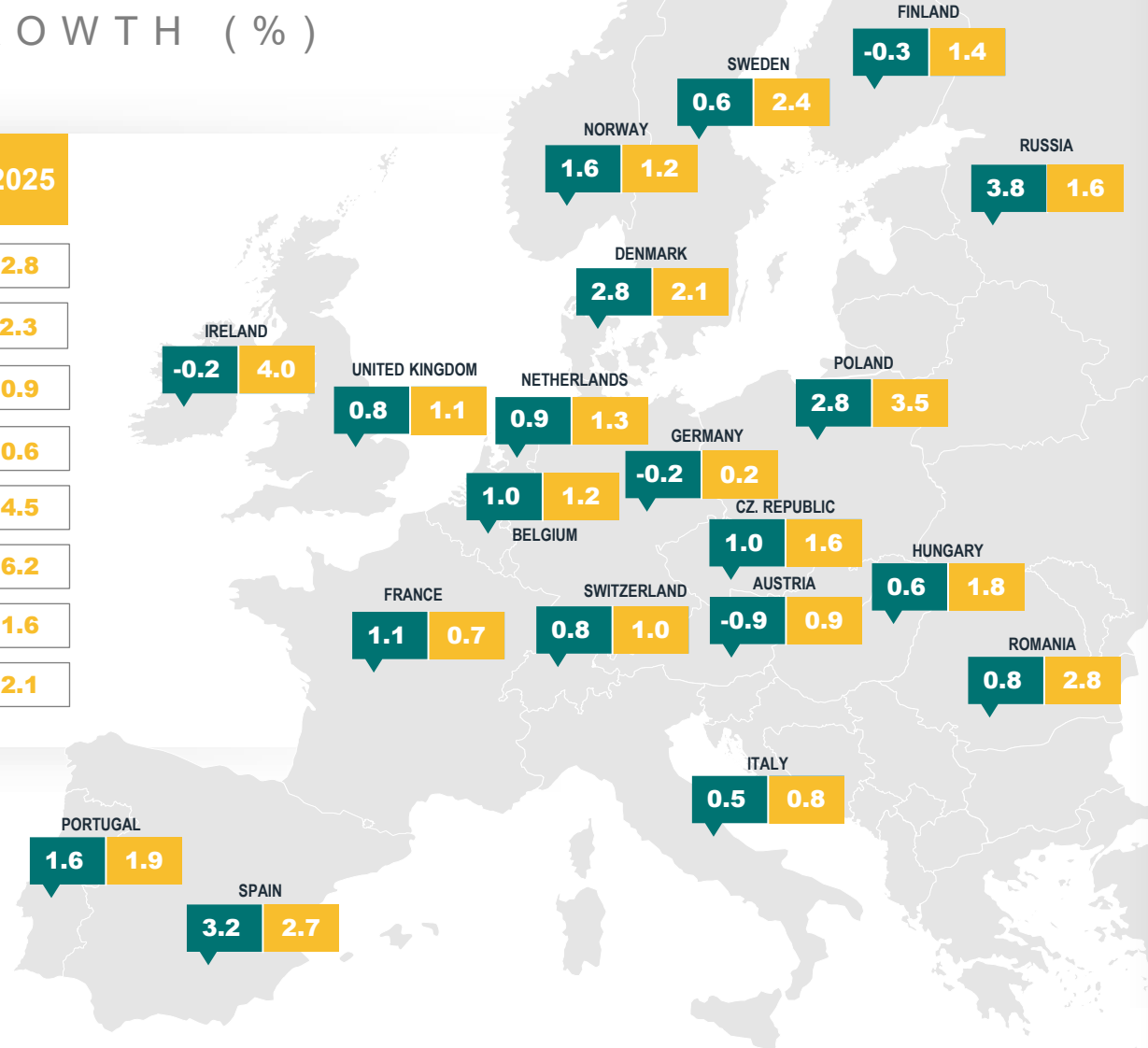
- At the global level, economic growth has stabilised over the past couple of years. This has been helped by the normalisation of global supply chains, falling inflation and easing financial conditions.
- There has been a wide range in the performance of the world's largest economies. Growth has been weakest in the Eurozone, Japan and the UK, and strongest in China, India and the US.
- While these trends are likely to continue, the divergence in growth rates should narrow, as Europe continues its recovery and growth rates cool elsewhere.
- Bringing this together, we forecast global economic growth to continue at a similar pace, averaging just under 3% p.a. over the next couple of years.
- However, we acknowledge that there are several risks to this view. Perhaps most significant is the high degree of uncertainty around economic policy in the US.

Sources: BNP Paribas Real Estate Research, Oxford Economics, World Bank, Macrobond

ECONOMIC GROWTH IN EUROPE

ANNUAL GDP GROWTH (%)

	2023	2024	2025
World	2.7	2.9	2.8
United States	2.5	2.8	2.3
Euro area	0.5	0.7	0.9
Japan	1.7	-0.2	0.6
China	5.2	4.9	4.5
India	8.2	8.2	6.2
Russia	3.7	3.8	1.6
Brasil	2.9	3.6	2.1



Eurozone growth slowed to a standstill in Q4.

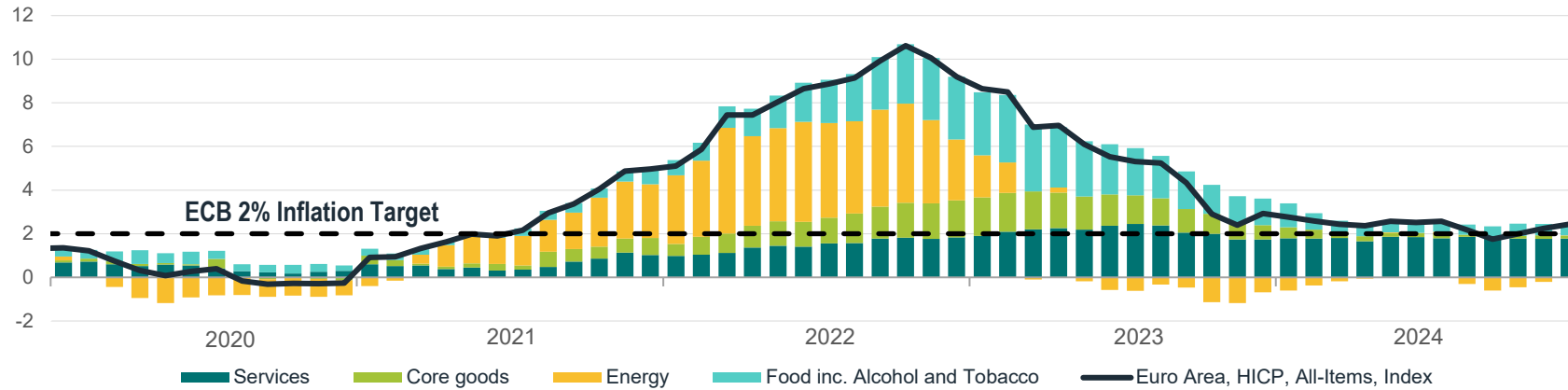
- The Eurozone economy lost significant momentum towards the end of 2024. Real GDP growth slowed from 0.4% q/q in Q3 to 0.0% q/q in Q4. Growth was expected to slow, as the support from one-off factors faded. However, the data still came in weaker than the consensus had forecast (0.1% q/q).
- This can partly be explained by the volatility in Ireland's data, but even after taking this into account, growth looked sluggish.
- Across the Eurozone's four largest economies, Spain was the only one to record any growth (0.8% q/q). Spain remains the bloc's main driver of growth, as a strong labour market supports private consumption. Activity in Italy stagnated (0.0% q/q). Meanwhile, France recorded a small fall (-0.1% q/q) as the Sporting Events in Paris ended. Germany's economy also contracted (-0.2% q/q) as structural challenges continued to weigh on the economy's output.
- In the UK, economic growth ground to a halt in Q3 and a similar level of activity is expected in Q4. This can partly be attributed to the uncertainty in the run up to the Autumn Budget and the subsequent rise in taxes.
- Looking ahead, the PMI surveys suggest that economies got off to a slow start in 2025. Uncertainty around trade with the US is likely to weigh on activity. However, the combination of interest rate cuts, rising real incomes and NGEU disbursements should help to generate modest levels of economic growth in the coming quarters.

Sources: BNP Paribas Real Estate Research, Oxford Economics, BNP Paribas, Macrobond

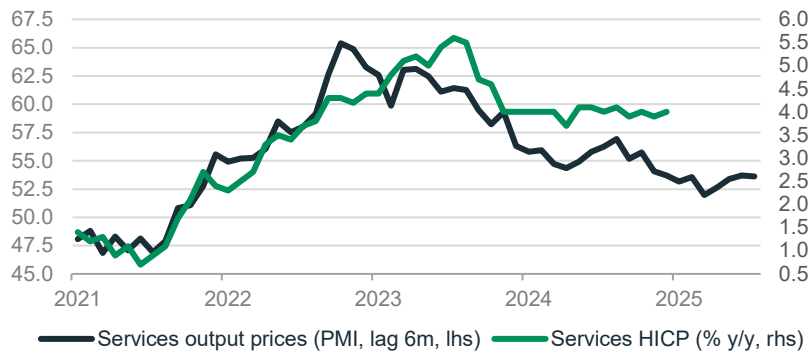
INFLATION RATES

BUMPY PATH AHEAD

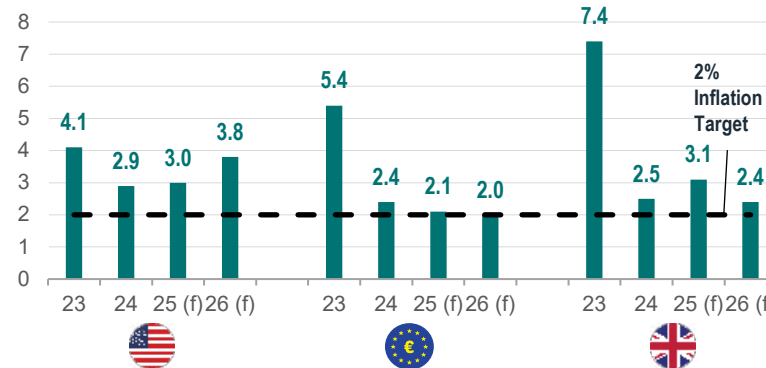
Eurozone Inflation (% Y/Y)



Eurozone Services Inflation



Annual Inflation Rates (% Y/Y)



Inflation drifts back above central bank's 2% y/y target.

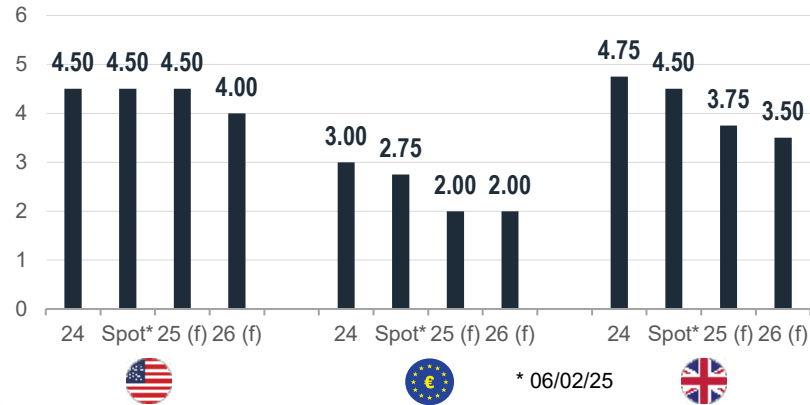
- The dip in eurozone inflation to below the central bank's 2% y/y target proved short-lived. Initial estimates suggest inflation increased to 2.5% y/y in January, which highlights the bumpy path ahead.
- Over the past couple of years, declines in inflation were driven by the energy, core goods and food sectors. However, these 'quick wins' are fading.
- For example, the energy sector was the main contributor to the recent upward trend in headline inflation. Large falls in energy prices at the end of 2023 have dropped out of the annual calculation. Meanwhile, energy commodity prices have risen since the start of the year. As a result, energy inflation increased from -6% y/y in September 2024 to +2% y/y in January 2025.
- Inflation in the services sector remains high. Forward-looking indicators, such as the services PMIs and measures of labour market tightness, are consistent with falling services inflation. However, these falls have failed to materialise in recent months.
- Overall, we are likely to see some volatility in inflation this year, but we still expect the headline rate to stay close to 2%. By contrast, price pressures continue to look stronger in the UK. Inflation has risen back above the Bank of England's 2% y/y target, and further increases look likely. We therefore expect UK inflation to average around 3% y/y this year.

Sources: BNP Paribas Economic Research, Eurostat, BNP Paribas, Macrobond.

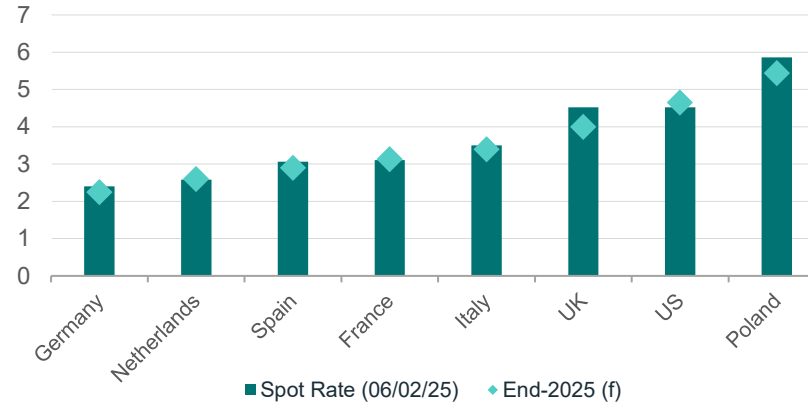
FINANCIAL MARKETS

ECONOMIC AND FINANCIAL INDICATORS

End-Year Policy Rates (%)



10-Year Government Bond Yields (%)

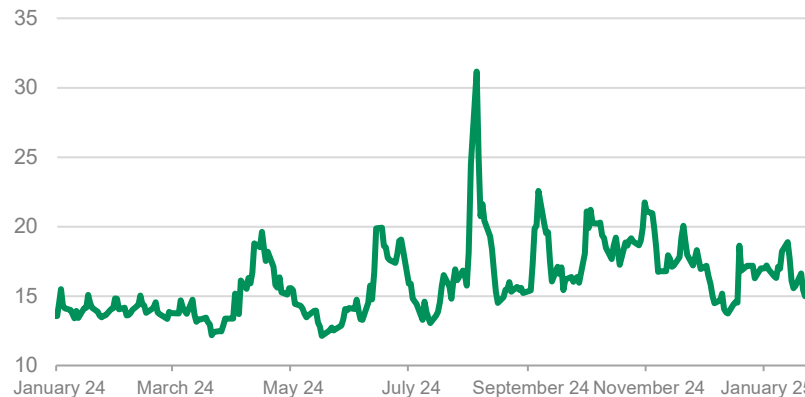


European Real Estate Equity Index

(End-2019 = 100)



Euro Area Volatility Index



Central banks cutting interest rates at different speeds.

- The paths for monetary policy in the Eurozone, UK and US have diverged. In the Eurozone, price pressures have faded more quickly, which has prompted the ECB to increase the pace of policy easing. The Deposit Facility Rate was lowered to 2.75% in January. We expect it to reach a terminal rate of 2.00% by mid-2025.
- In contrast, the Federal Reserve has slowed its pace of monetary easing. President Trump's policy agenda may lead to renewed inflationary pressures. As a result, we expect the Federal Reserve to keep its policy rate on hold this year.
- In the UK, inflation is likely to overshoot the 2% y/y target this year. However, weak economic data is consistent with price pressures fading in the medium term. As a result, we expect the Bank of England to continue lowering its policy rate gradually, taking it to 3.75% by end-2025.
- Long-term government bond yields have risen over the past few months on the back of a sell off in US Treasuries. This has contributed to a decline in real estate equity prices. We expect bond yields to end the year close to their current levels, and in some cases slightly lower.
- However, financial markets are likely to experience further volatility in the year ahead. The future around geopolitical conflicts remains unclear. There is uncertainty around trade with the US, and various countries are experiencing political instability and growing fears around public debt sustainability.

Sources: BNP Paribas Economic Research, CBOE, Federal Reserve, ECB, BoE, FTSE EPRA/NAREIT, Macrobond

02.

**REAL ESTATE
PERSPECTIVES**

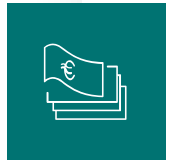
02.

REAL ESTATE PERSPECTIVES

CAPITAL MARKETS

CAPITAL MARKETS IN EUROPE

CAPITAL MARKETS UNPACKED



INVESTMENT VOLUME

€157.4bn

2024

The CRE investment market hit bottom in late 2023 and is now growing again



BEST PERFORMING SECTOR

+70% y.o.y

HOTELS

Hotels remain a favourite with total investment in 2024 of €20 billion



PRIME YIELDS

4.70% vs 2023 **4.30%** vs 2023 **5.00%** vs 2023

Office

Retail

Logistics

2024

2024

2024

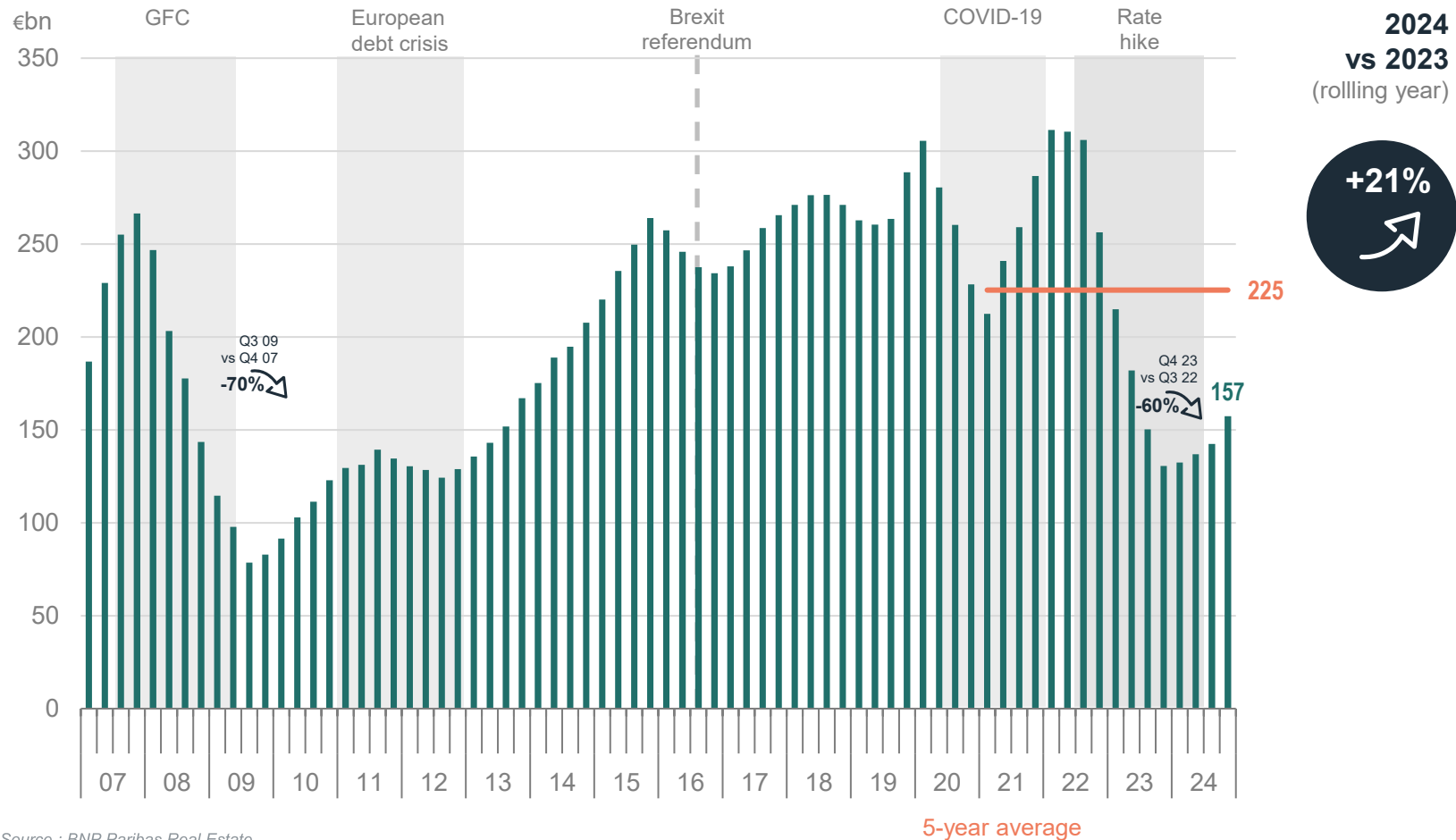
Prime yields seem to have stabilised across all asset types at European level and some cities now exhibit witness early compression signs

Source : BNP Paribas Real Estate

This excludes residential investment.

INVESTMENT IN EUROPEAN COMMERCIAL REAL ESTATE

2024 AS THE TURNING POINT FOR GROWTH



Source : BNP Paribas Real Estate

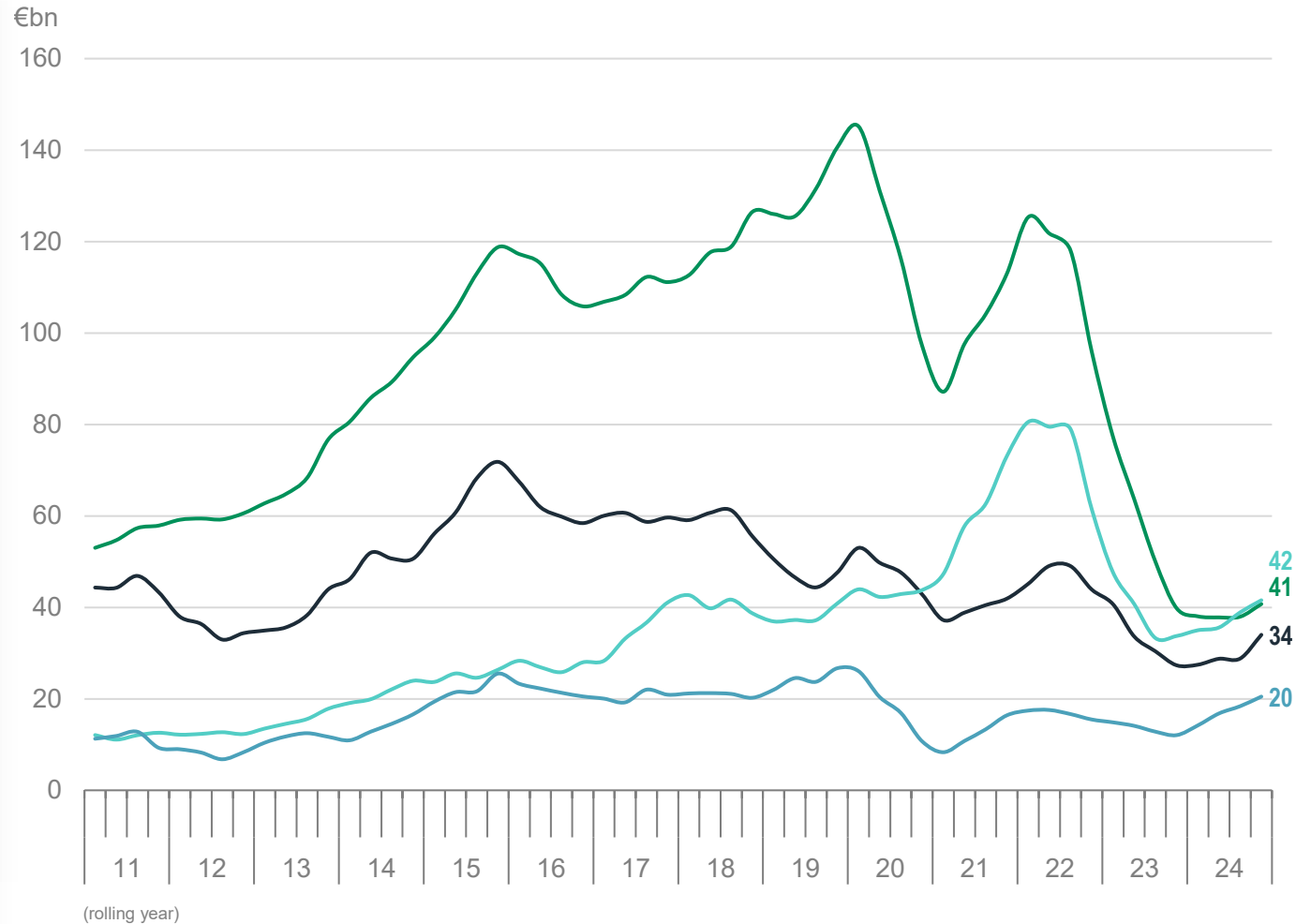
This excludes residential investment.

- Total investment for 2024 amounted to €157bn showing a solid +21% year-on-year increase. Q4 stood out, with a quarterly increase of +50% compared to Q3 2024.
- It is now evident that the trough was reached at the end of 2023 following the crash triggered by the inflationary shock. 2024 marks a dynamic and anticipated recovery.
- More stability is emerging in the macroeconomic and financial backdrop as central banks move into the next phase of policy.
- **From June 2024 to February 2025, the ECB has undertaken five back-to-back rate cuts of 25 basis points in the deposit facility. The Bank of England made its first 25bps cut in August. These moves firmly signalled the end of the hard monetary policy response to crisis.**
- The market correction (-60%), while comparable to the downturn experienced during Great Financial Crisis (-70%), did not bring volume to the levels seen in late 2009.
- As market confidence is increasingly restoring, investment volumes are expected to steadily gain momentum over the coming year.

INVESTMENT IN EUROPEAN COMMERCIAL REAL ESTATE

A SUSTAINED RECOVERY ACROSS THE ASSET SPECTRUM

- Market reactivation is beginning to stand out in the investment numbers. Noticeable improvements emerged across all asset types.
- **Offices at €41 billion increased by +2% year-on-year.** Expansion is appearing progressively, and the quarterly volume is 64% higher than Q3 2024. Offices still hold one quarter of the market share.
- **Logistics at €42 billion (+23% vs 2023)** is the traditional asset recovering fastest. Its volume equalled offices for the first time ever in Q3 and is now almost €1bn higher. It remains to be seen if this is a turning point for real estate allocations. Volumes grew over the quarter (+25% vs Q3 2024) as investors now may detect some under-pricing in the sector. Most markets demonstrated an upward performing trend especially in France, the Netherlands, and Spain.
- **Retail at €34 billion (+24% vs 2023)** performed particularly well in Q4 (+65% vs Q3 2024). While so far, the segment has been perceived as risky, interest from investor is now strengthening. Good performance is showing in several countries (Italy, Ireland and Poland). The market share is stable at 22% and up over the 15% seen in 2021.
- **Hotels at €20 billion** reinforced its position as the best performing asset in CRE in 2024. The sector has rapidly grown at +70% compared to last year. Its market share is now 13%, double the 6% seen in 2021. Even though the outcome of the segment remains to be seen, current market sentiment leans toward a positive outlook.



Source : BNP Paribas Real Estate

This excludes residential investment.

COMMERCIAL REAL ESTATE INVESTMENT

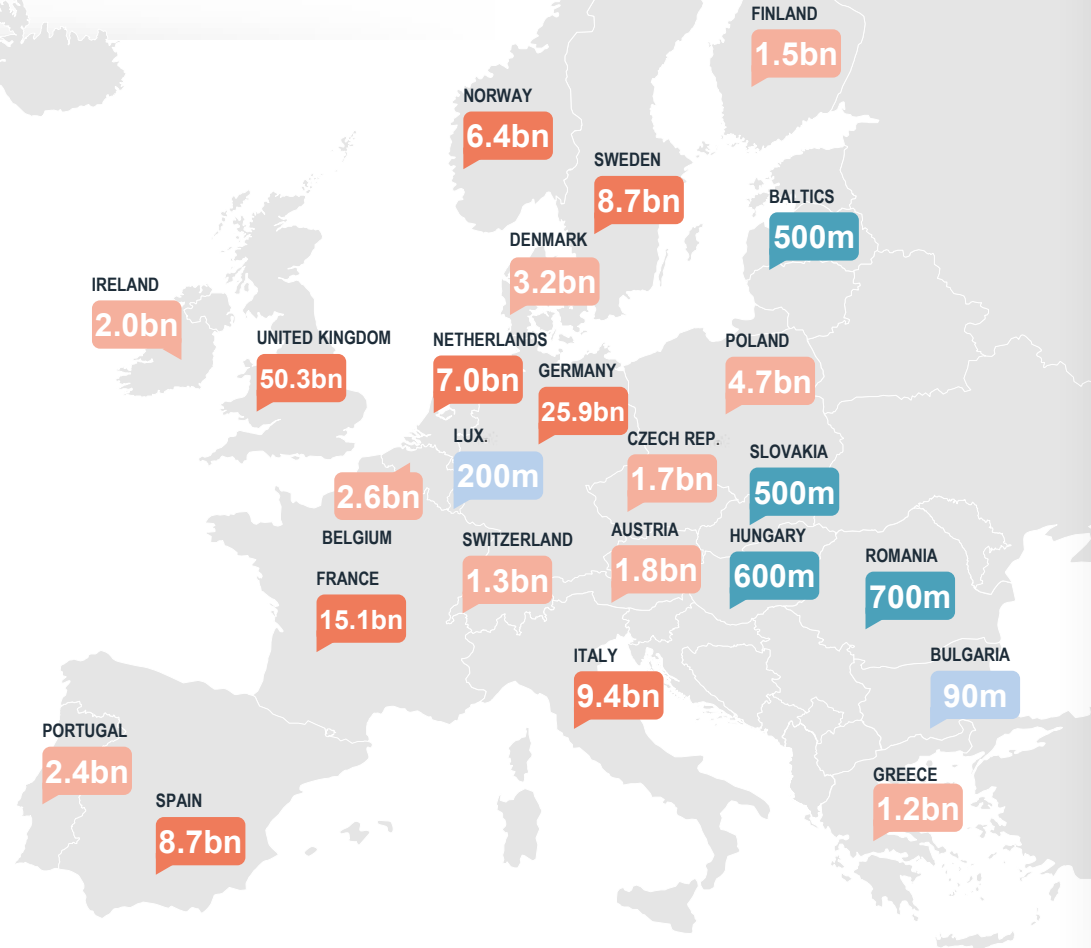
INVESTMENT VOLUME GAINING TRACTION

2024 vs 2023

	UNITED KINGDOM	+27%
	GERMANY	+15%
	FRANCE	→
	SWEDEN	+17%
	NETHERLANDS	+40%
	SPAIN	+23%
	ITALY	+67%
	NORWAY	+42%
	POLAND	+138%
	BELGIUM	+18%
	DENMARK	+32%
	FINLAND	-19%
	IRELAND	+39%
	AUSTRIA	-25%
	LUXEMBOURG	-57%

	≥ €5bn		€400m-1bn
	€1-5bn		< €400m

(excludes residential investment)



EUROPE – 2024

€157.4bn

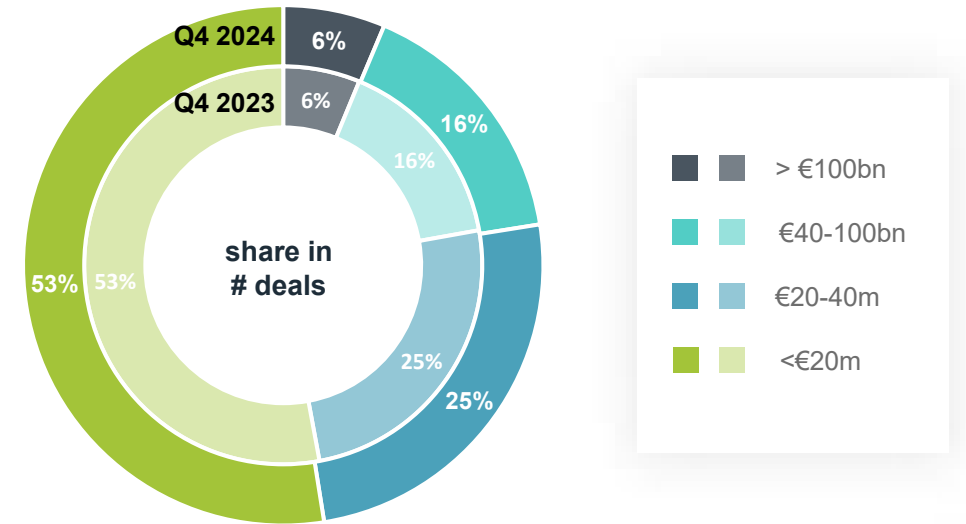
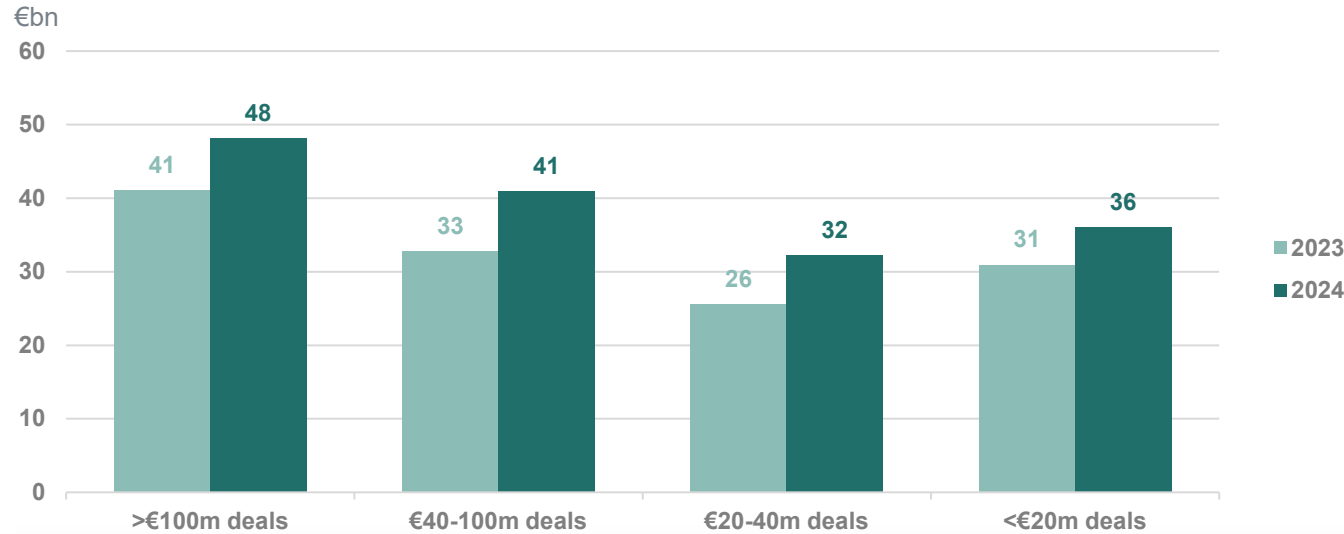
+21% vs 2023

- €157.4bn were invested in Europe since the beginning of 2024, rising by +21% compared to 2023.
- The UK, France, and Germany collectively account for 47% of market share.
- Investment in Germany continues to improve with a gain of around 15%.
- Most markets are growing, with fastest growth seen in Poland (+138%), Italy (+67%), Norway (+42%), the Netherlands (+40%) and Ireland (+39%).
- All asset types are now selling, particularly hotels throughout the year that showed growth of +70% as of Q4 2024.

Source : BNP Paribas Real Estate

INVESTMENT IN EUROPEAN COMMERCIAL REAL ESTATE

INVESTMENT BALANCING OUT BY SIZE BAND



- Since 2022, the progressive decline in volume share of mega deals reflected a shift in demand towards lower price asset categories. Larger deals are taking much longer to reappear in the market, though they are likely to make more of an impact over 2025 as global investors enact new business plans in response to the changed financial situation. Nevertheless, in 2024, the overall market growth is reflected across all size bands.
- **Mega deals (€<100m) dominate the market with a 31% volume share and a steady 6% in the number of transactions.**
- Transactions in the **€40m to €100m band hold 26%** of the market volume. This segment has demonstrated the greatest stability in market share over time.
- Deals under **€40m** gained +20% volume compared to last year. This size band is also gaining market share at 43% for Q4 2024 above the 36% 5-year average.
- The number of **<€20m deals since end of 2023** holds now half of the market. This possibly reflects greater ease in assembling money to undertake deals of this size.

(rolling year)

This excludes residential investment.

CROSS-BORDER INVESTMENT IN EUROPE – 2024

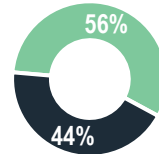
EXPANDING AMERICAN INVESTOR FOCUS ON EUROPE

- In 2024, foreign investment contributed to overall rise by growing by +27% (vs 2023) and represents a steady market share of 44% in 2024 (5-year average at 48%). In some countries like Portugal and Finland, foreign investment dominates at 79% and 68% respectively.
- European cross-border volume experienced growth of +20% compared to 2023 with a market share of 44% comparing the 10-year average (43%).
- Investment from other continents shows contrasting developments. **Focused interest from American investors resulted in transaction volume rising +81% compared to 2023**, notably in France (+277% at 3.4bn). Fast growth also occurred in Poland (+142%) Spain (+121%), and the Netherlands (+101%),
- Volumes from **APAC declined again to 5% market share**. Allocations decreased by half compared to last year, even faster than in 9M 2024 (-30%). As of now, APAC based investors have mainly focused on Germany (grew by 64% to €1.9bn), Ireland (€140m), and Spain (€110m).
- Enthusiasm from **Middle East investors for Europe decreased slightly in 2024 (-7% vs. 2023), with €2.6bn of investment**. The drop is much slower than in 9M 2024 that were by half, caught up by Q4, which represented 50% of the allocations in 2024.

€ 88.9bn

+16%
Vs 2023

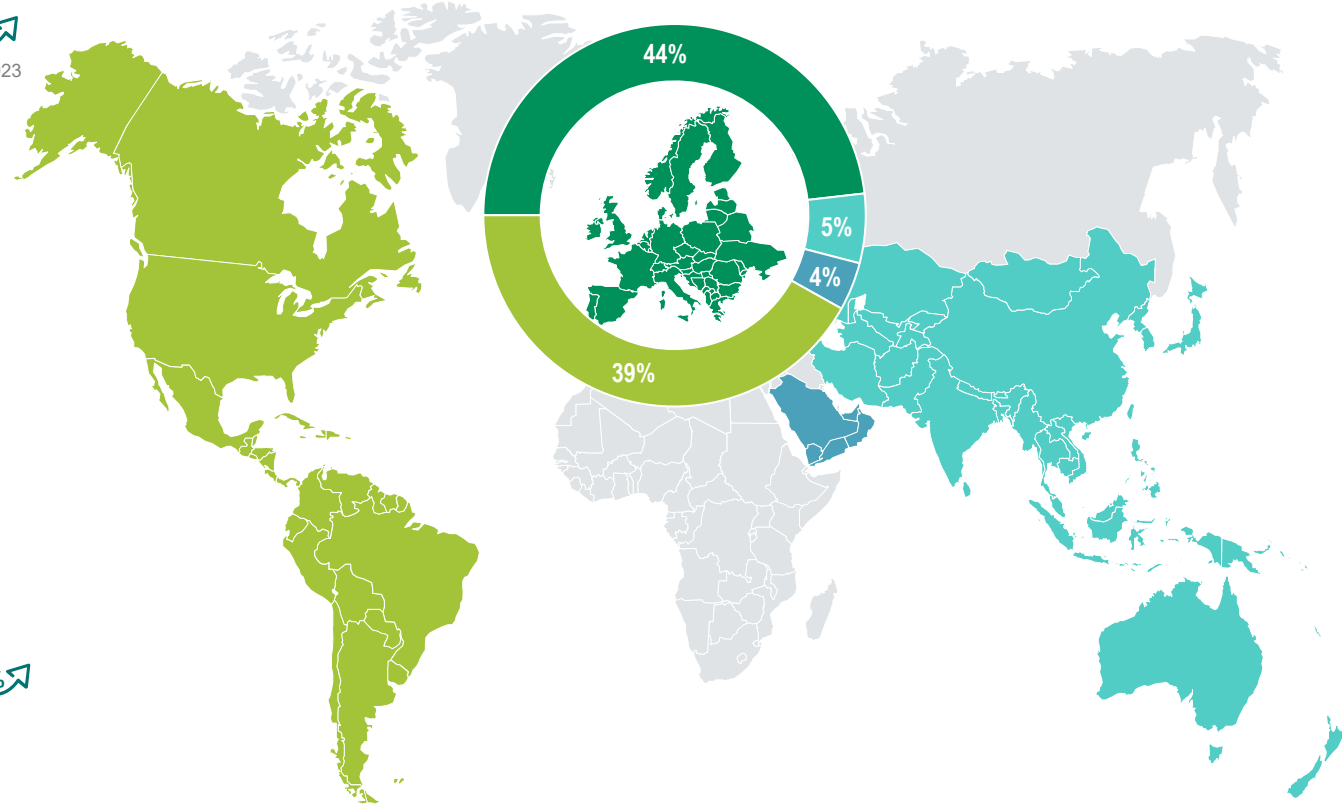
DOMESTIC INVESTMENT



CROSS-BORDER INVESTMENT

€ 68.5bn

+27%



EUROPE
€30.4BN +20%
vs 2023

AMERICAS
€26.4BN +81%
vs 2023

ASIA PACIFIC
€3.7BN -46%
vs 2023

MIDDLE EAST
€2.6BN -7%
vs 2023

Investment in Commercial Real Estate investment, which excludes residential investment.

This excludes residential investment.

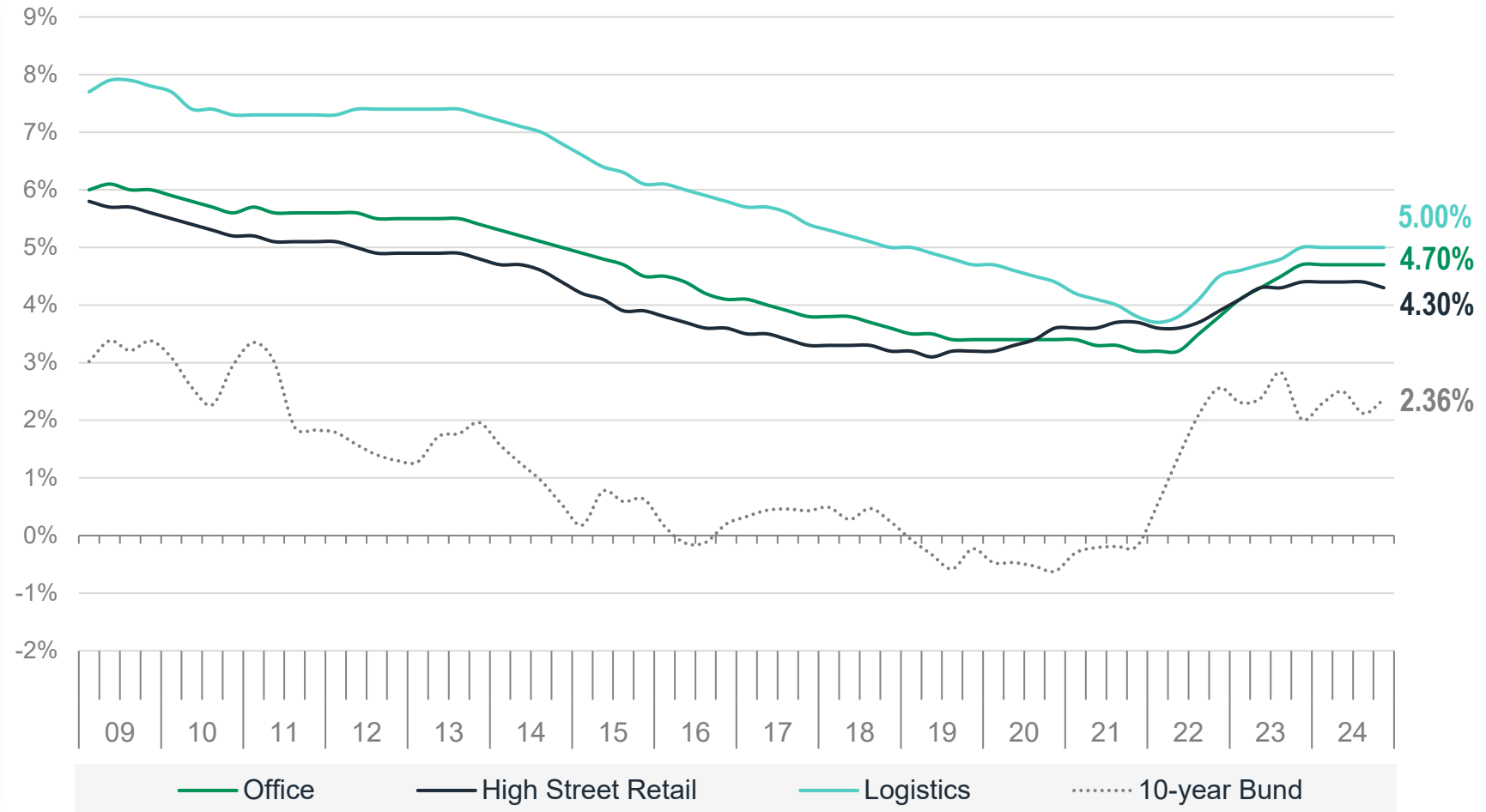
AVERAGE PRIME YIELDS IN EUROPE

MONETARY POLICY BECOMING MORE FAVOURABLE TO REAL ESTATE

Maintaining stability

- Central banks are clearly on a rate cutting path and beginning to transition their focus to growth rather than inflation.
- **Consequently, a ceiling now exists for real estate yields.** Real estate is entering a new phase for pricing. **Since Q4 2023 and throughout 2024, prime yields across all asset classes have remained constant.** Sporadic compression signals from some markets even showed in late 2024 and are expected to continue into early 2025.
- **Paris and London at 4.00% remain the lowest yielding market in Europe for offices where interest will be strengthened for premium graded units and prime location.**
- **Retail locations are led by London and the German cities with high street prime yields below 4.00%.**
- **The lowest yielding logistics market is also in Germany at 4.25%, followed by London (4.50%) and France at 4.90%.**

Based on 16 cities: Amsterdam, Berlin, Brussels, London, Paris, Dublin, Frankfurt, Hamburg, Lisbon, Luxembourg, Madrid, Milan, Munich, Prague, Vienna and Warsaw.



Source : BNP Paribas Real Estate

This excludes residential investment.

02.

REAL ESTATE PERSPECTIVES

OFFICE MARKETS

OFFICE MARKETS IN EUROPE

FLIGHT TO QUALITY BY TENANTS



TAKE-UP

-1.0%

vs. 2023

Demand for office space stabilized in Europe in 2024



PRIME RENTS

Main markets

+5.4%

vs. Q4 2023

Prime rents remain driven by high demand for top space



AVERAGE RENTS

Main markets

+3.3%

vs. Q4 2023

Average rents are growing at a slower pace as demand for secondary locations/property remains weaker



VACANCY RATE

9.1% **+90 bps**

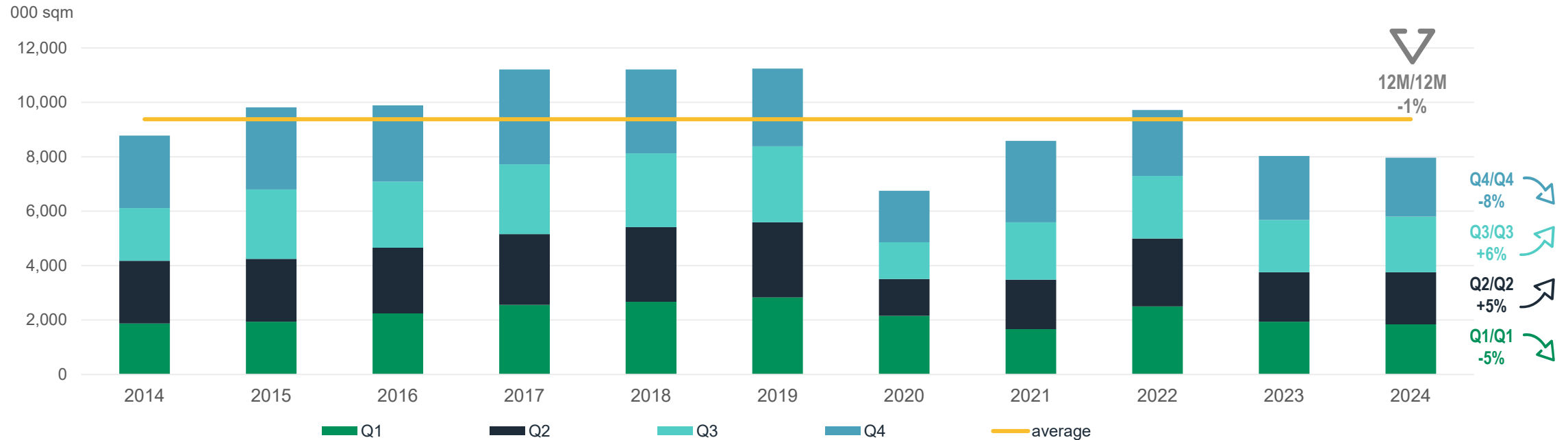
Q4 2024

vs. Q4 2023

Low availability prevails in central submarkets, particularly with new buildings that secure demand. Much higher vacancy rates though are found in peripheral office districts and for second-hand space.

OFFICE TAKE-UP IN THE MAIN EUROPEAN OFFICE MARKETS*

LETTING VOLUMES STABILISED IN 2024



* Berlin, Cologne, Düsseldorf, Frankfurt, Hamburg, Munich, Lyon, Central Paris, Central London, Brussels, Barcelona, Madrid, Dublin, Milan, Rome, Luxembourg, Amsterdam, and Warsaw

Take-up slowed in Q4 2024

- While Q2 and Q3 2024 showed encouraging signs, take-up slowed in Q4 in Europe (-8% vs Q4 2023).
- Around 7.96 m sqm has been transacted over 2024 in the 18 main European markets, in line with the 2023 results.
- Some markets experienced significant rebounds including Dublin (+60%), Barcelona (+44%), Munich (+37%), Madrid (+10%), Cologne (+9%), Frankfurt (+8%), Brussels (+7%) and Central London (+5%).
- The overall result remains below the long-term average (-15%) reflecting the ongoing structural changes in the office market where occupier activity focuses on smaller, more efficient and flexible premises.
- Sluggish economic growth and cooling job markets in the major European countries may continue to weigh on demand in the short term.

Source : BNP Paribas Real Estate

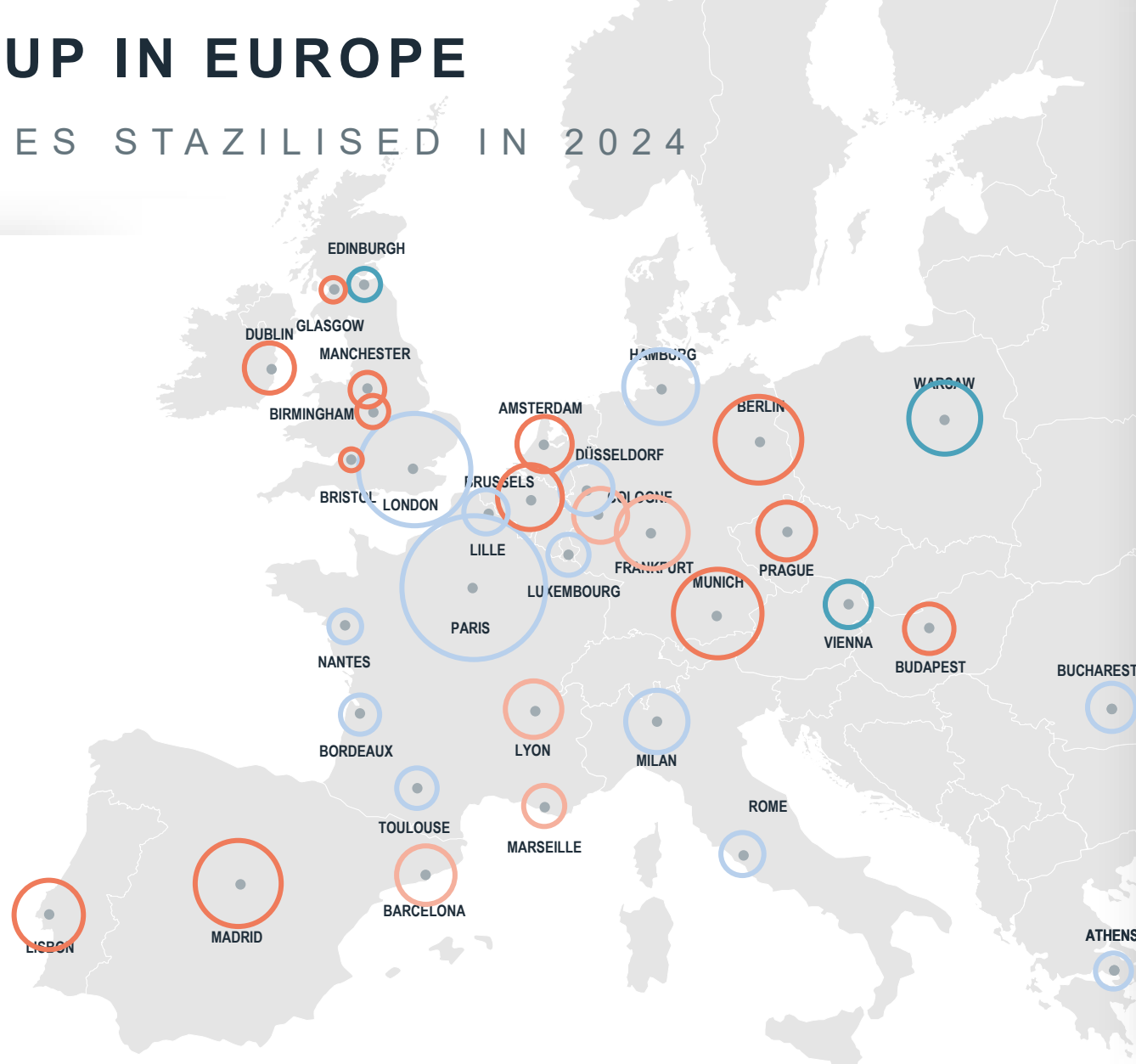
OFFICE TAKE-UP IN EUROPE

LETTING VOLUMES STABILISED IN 2024

2024 vs 2023

	CENTRAL LONDON	-6%	↘
	BERLIN	+7%	↗
	CENTRAL PARIS	-7%	↘
	AMSTERDAM	+17%	↗
	MADRID	+19%	↗
	MILAN	-16%	↘
	WARSAW	-4%	↘
	BRUSSELS	+6%	↗
	DUBLIN	+58%	↗
	LUXEMBOURG	-25%	↘
	VIENNA	-11%	↘
	FRANKFURT	+1%	↗
	BARCELONA	+1%	↗

Deals in thousand sqm



EUROPE – 2024

10.2m sqm 34 markets
+1% vs. 2023

Mixed picture for take-up

- Take-up at the end of 2024 was close to the 2023 result.
- While some markets experienced new decline in volumes, take-up gained traction in many markets. Letting volume expansion is highly sensitive to large transactions. These deals not only take longer to close, but their start is also highly sensitive to challenging economic backdrops.
- Volumes remain below their long-term averages though appear to have stabilised.

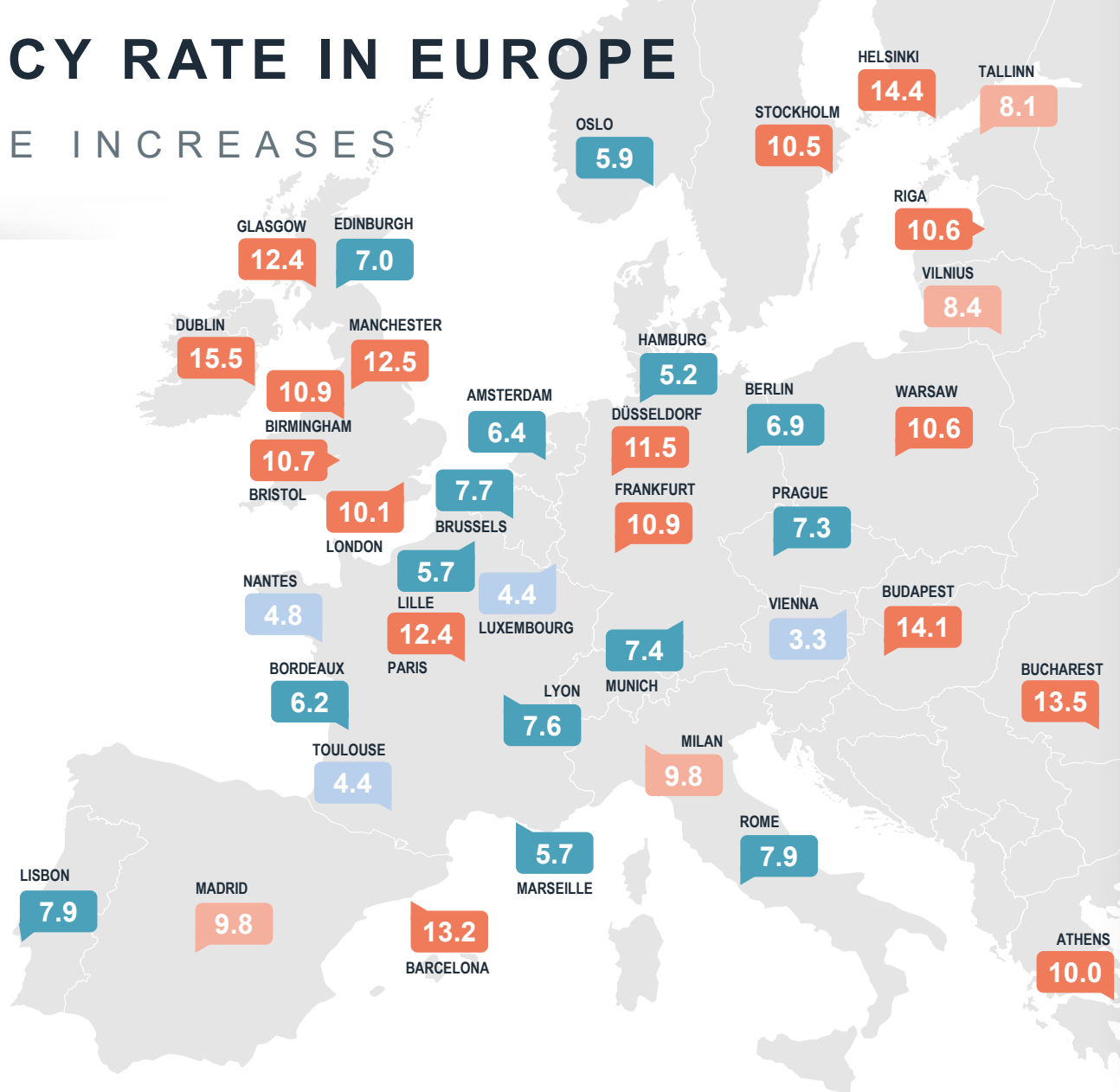
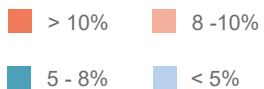
Source : BNP Paribas Real Estate

OFFICE VACANCY RATE IN EUROPE

AVAILABLE SPACE INCREASES

Q4 2024 vs Q4 2023

	CENTRAL LONDON	+30bp ↗
	BERLIN	+280bp ↗
	CENTRAL PARIS	+220bp ↗
	AMSTERDAM	-30bp ↘
	MADRID	-10bp ↘
	MILAN	+20bp ↗
	WARSAW	+20bp ↗
	BRUSSELS	+80bp ↗
	DUBLIN	+240bp ↗
	LUXEMBOURG	+50bp ↗
	VIENNA	-30bp ↘
	FRANKFURT	+140bp ↗
	BARCELONA	+100bp ↗
	STOCKHOLM	+200bp ↗
	HELSINKI	-150bp ↘



EUROPE – Q4 2024

9.1% 30 markets
+90bp vs. Q4 2023

- Vacancy expansion in numerous markets is the consequence of a growing geographical and quality mismatch in supply and demand.
- Low availability prevails in central submarkets, particularly with new buildings that secure demand. Much higher vacancy rates are found in peripheral office districts and for second-hand space.
- Completions have also impacted the immediate supply in several markets such as Berlin (available modern space accounted for 892,000 sqm at the end of September, 79% vs. Q3 2023) and Dublin (186,000 sqm completed in 2024, exceeding by 50% the 5-year annual volume average).

Source : BNP Paribas Real Estate

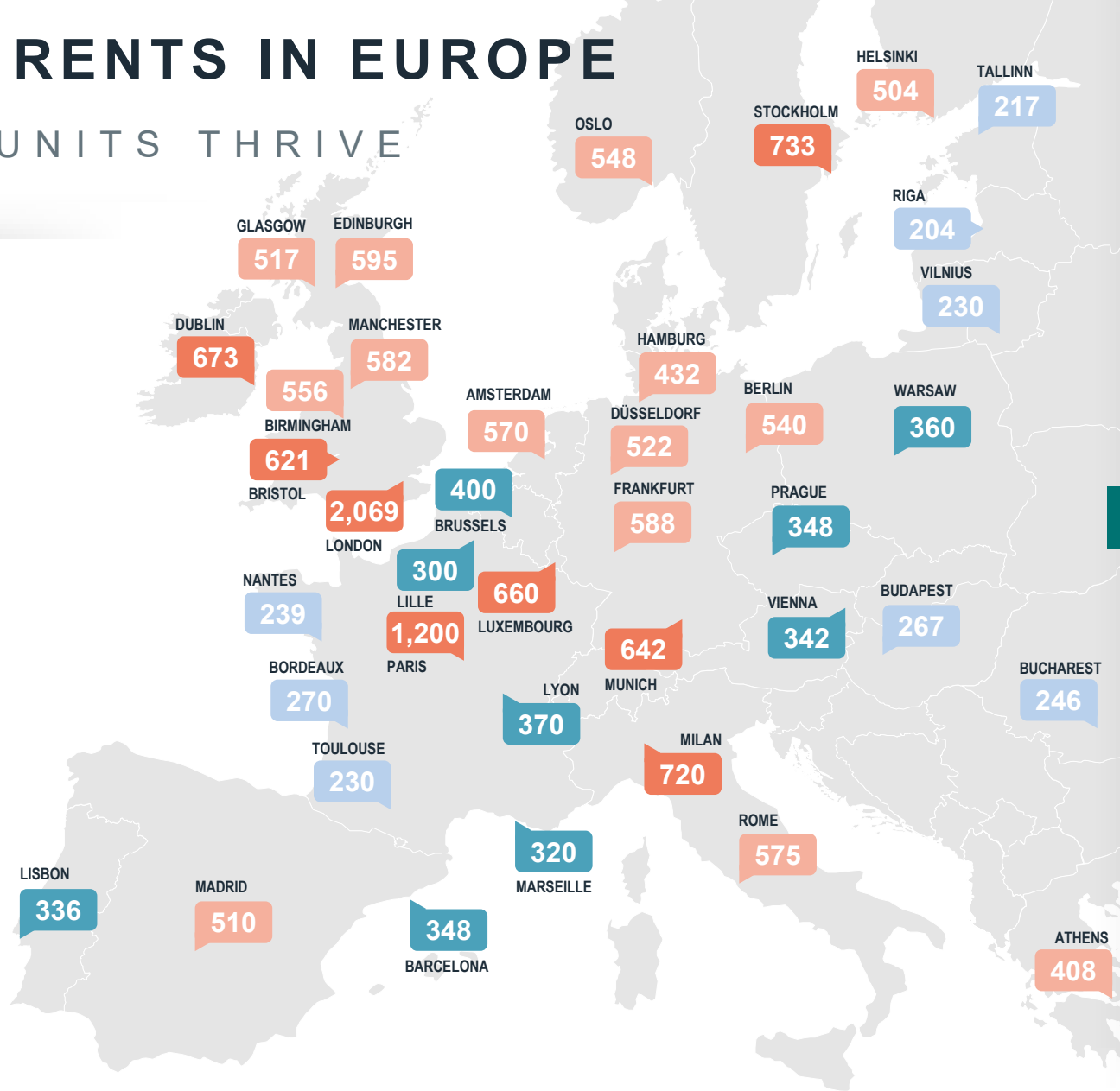
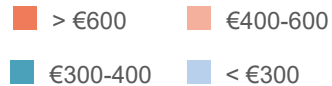
OFFICE PRIME RENTS IN EUROPE

BEST-IN-CLASS UNITS THRIVE

Q4 2024 vs Q4 2023

	CENTRAL LONDON	+7%
	BERLIN	=
	CENTRAL PARIS	+12%
	AMSTERDAM	+7%
	MADRID	+6%
	MILAN	+4%
	WARSAW	+3%
	BRUSSELS	+14%
	DUBLIN	=
	LUXEMBOURG	=
	VIENNA	+4%
	FRANKFURT	=
	BARCELONA	+2%

Rents (€/sqm/year)



EUROPE – Q4 2024

+4.4% vs. Q4 2023
41 markets

Prime rents still driven by high demand for top space

- The very low availability for grade A and the appeal of high-quality buildings located in the most sought-after districts continue to drive values up.
- The rise in prime rents was more pronounced in the 18 main European markets, with +5.4% in average y.o.y.
- Structural changes occurring in the office sector favour prime and modern units, and less space. The focus on quality over quantity will continue to support prime rents over the coming quarters.

Source : BNP Paribas Real Estate

02.

REAL ESTATE PERSPECTIVES

LOGISTICS MARKETS

LOGISTICS WAREHOUSING MARKET IN EUROPE

LOW MOMENTUM FOR EUROPEAN LOGISTICS



TAKE-UP

-9%

vs. 2023

Below its 5-year average, the market is sluggish



PRIME RENTS

+2% **+0.4%**

over 1 year

vs last quarter

Market slowdown is easing the pressure on rental growth



INVESTMENT

+23%

vs. 2023

Rapid repricing helps the market to find its way back to growth in most markets



PRIME YIELDS

+130 bps **+2 bps**

Since Q1 2022

vs last quarter

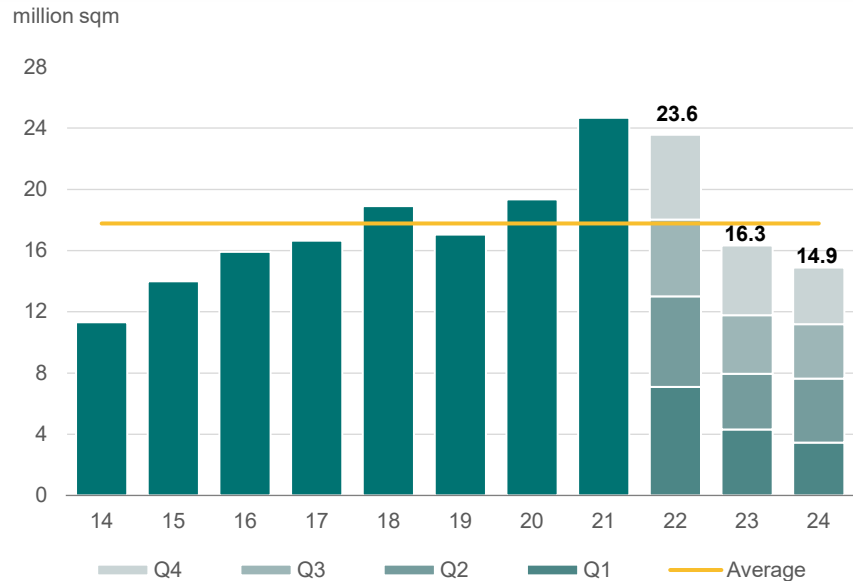
Yield decompression has closed. Prime yields stabilized in 2024.

LOGISTICS OCCUPIER MARKET IN EUROPE

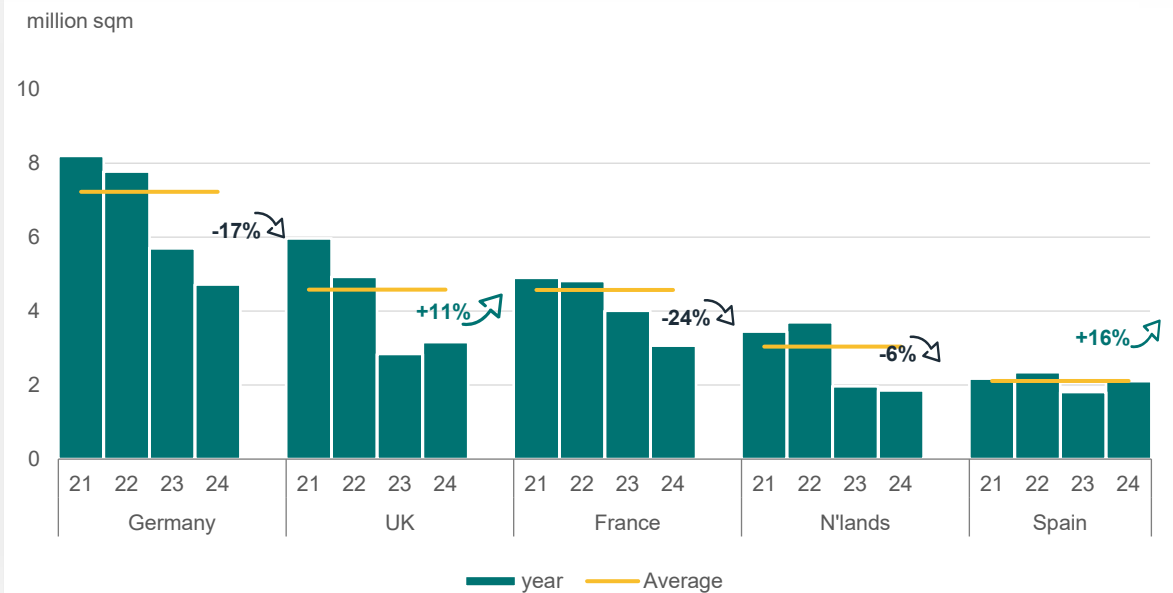
TAKE-UP IN 5 COUNTRIES: -9% (2024 VS 2023)

BELOW ITS 5-YEAR AVERAGE, THE MARKET IS SLUGGISH

- **Over 2024, the market decreased by 9%** in the leading European markets compared to 2023. Apart for Spain that posted more than 25% above its 10-year average, demand has been lagging in most countries.
- Logistics markets were boosted by e-commerce and food retailers over the past five years. **Given the economic uncertainties and slow growth in the main European economies, weaker expansion is occurring here.**
- The manufacturing sector in particular feels the effect of both weak domestic demand and exports not expanding yet.
- **The risk of oversupply remains limited** even though vacancy rates have been increasing in some markets. Overall, these remain low at sub 6% in most European countries.
- The strong rental growth of recent years has faded to a slower pace, +2% during 2024.



-9%
2024 vs 2023



Source : BNP Paribas Real Estate Research

LOGISTICS PRIME RENTS

RENTAL GROWTH IS SLOWING DOWN

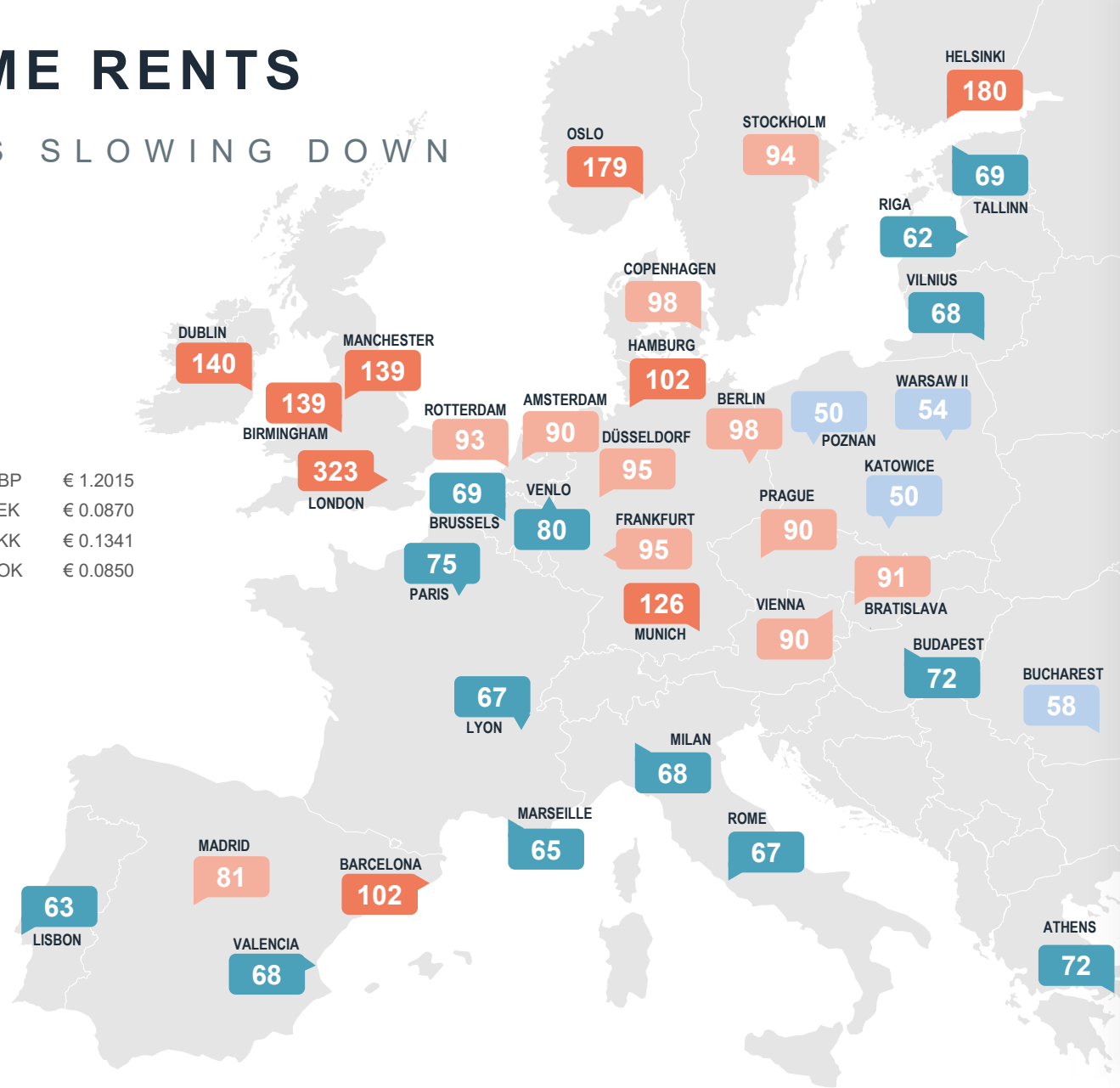
Q4 2024 vs Q4 2023

	FRANKFURT	+1%	
	BERLIN	+2%	
	LONDON	=	
	BIRMINGHAM	+5%	
	PARIS	=	
	VENLO	+10%	
	MADRID	+8%	
	BARCELONA	+6%	
	WARSAW II	+5%	
	PRAGUE	-3%	
	MILAN	+3%	
	STOCKHOLM	+3%	
	OSLO	+5%	

1 GBP € 1.2015
 1 SEK € 0.0870
 1 DKK € 0.1341
 1 NOK € 0.0850

Rents in €/sqm/yr

	≥ €100		€60-80
	€80-100		≤ €60

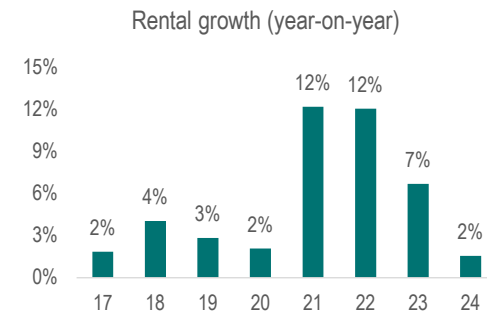


EUROPE Q4 2024
49 markets, 22 countries

+2%
vs Q4 2023

+0.4%
vs last quarter

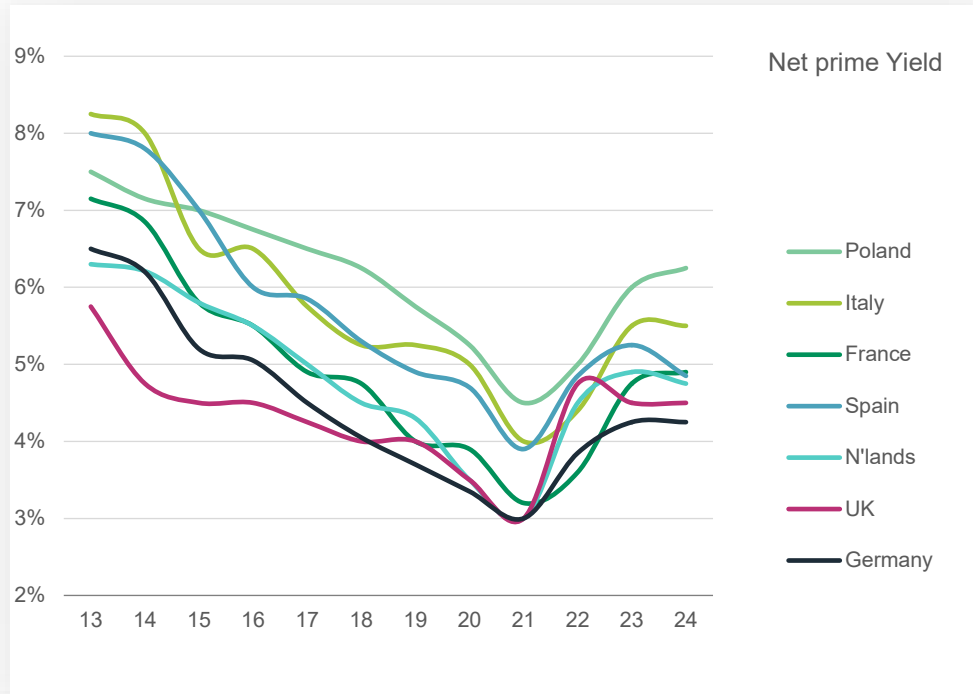
Rental growth (year-on-year)



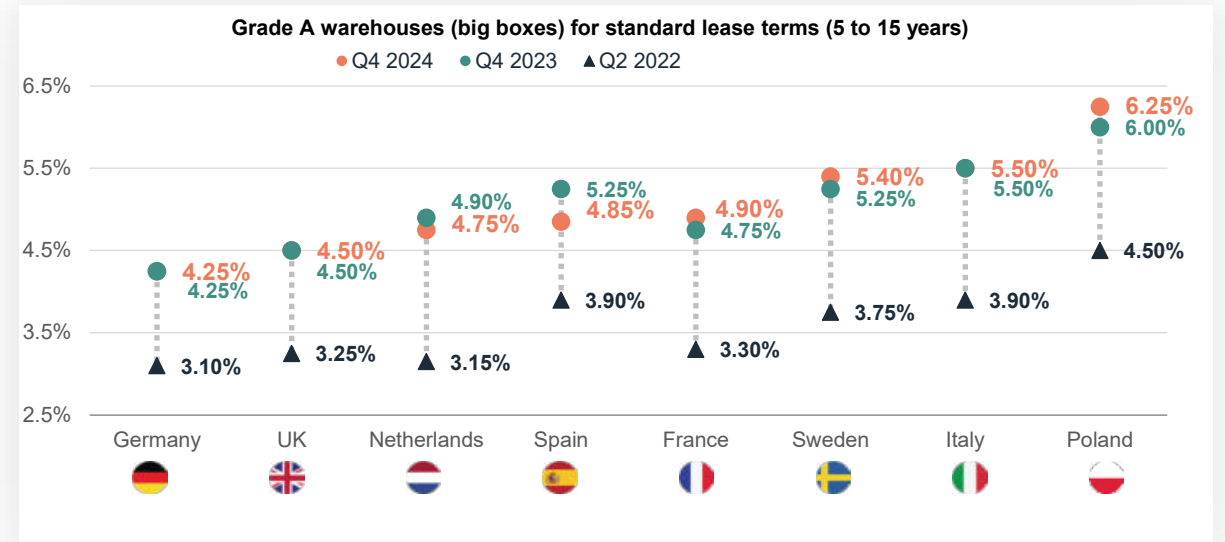
Source : BNP Paribas Real Estate Research

NET PRIME YIELDS IN EUROPE

STABILISATION IN 2024



Net Prime Yields – Grade A warehouses (big boxes) for standard lease terms (5 to 15 years)



Logistics prime yields stabilised in Europe during 2024

- Throughout the year, prime yields in all European countries have adjusted gradually towards stabilisation. They increased by 2 bps during Q4 2024 in Europe (versus the last quarter).
- Logistics prime yield expansion over the past two years has ceased with moderating inflationary pressure and long-term government bond yields hitting a ceiling.

Source : BNP Paribas Real Estate Research

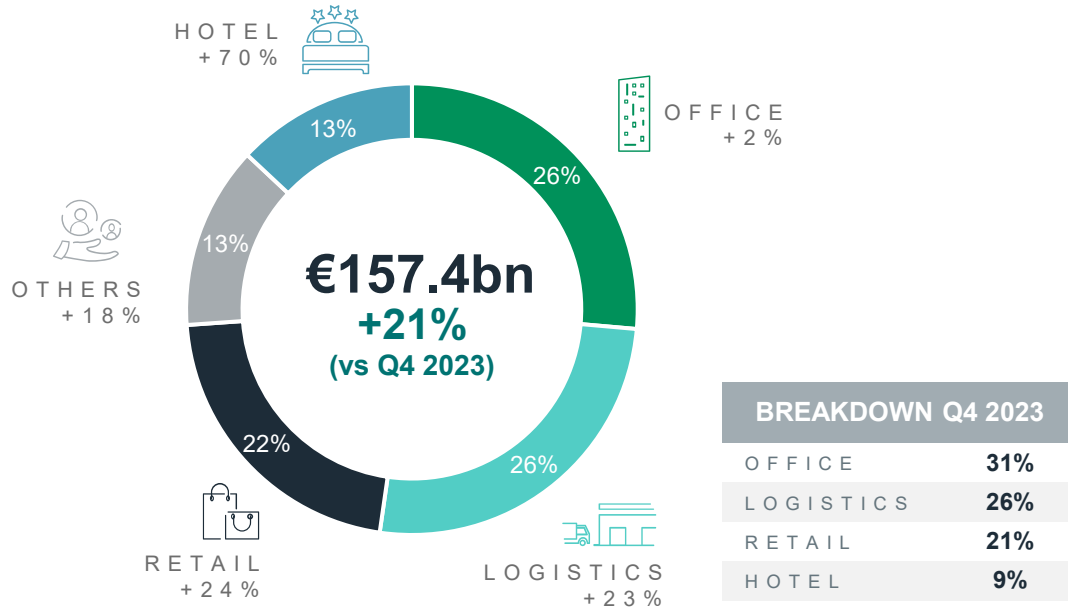
02.

REAL ESTATE PERSPECTIVES

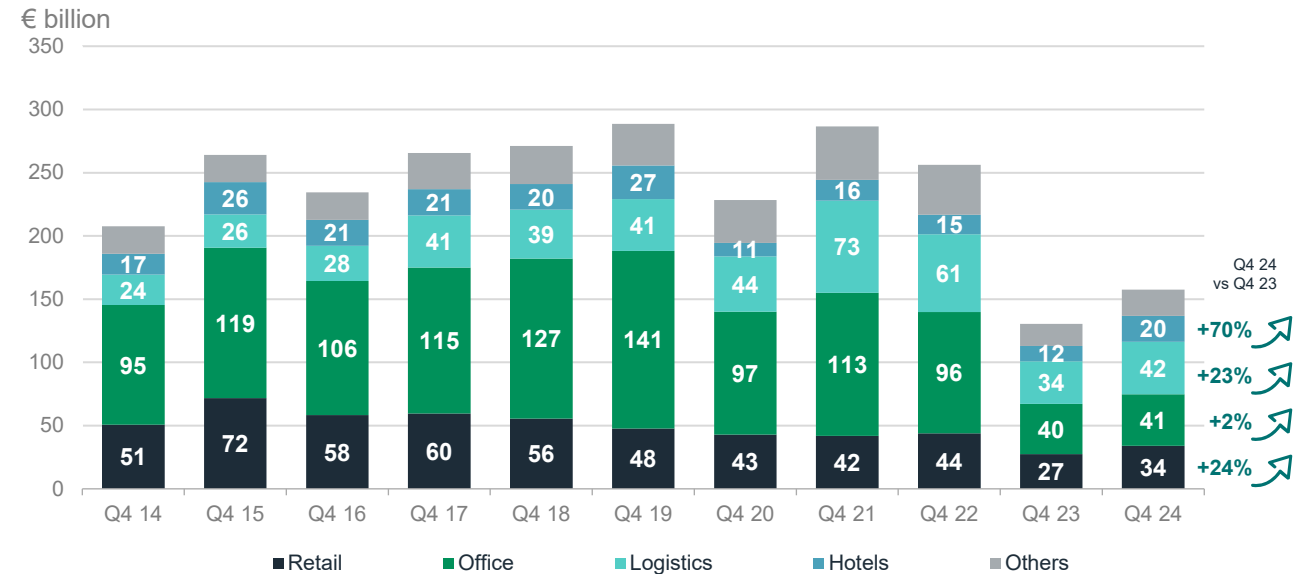
RETAIL MARKETS

RECOVERY IN THE MAKING

CRE Investment – Q4 2024 – rolling year



CRE Investment – 2014-2024 (rolling year)

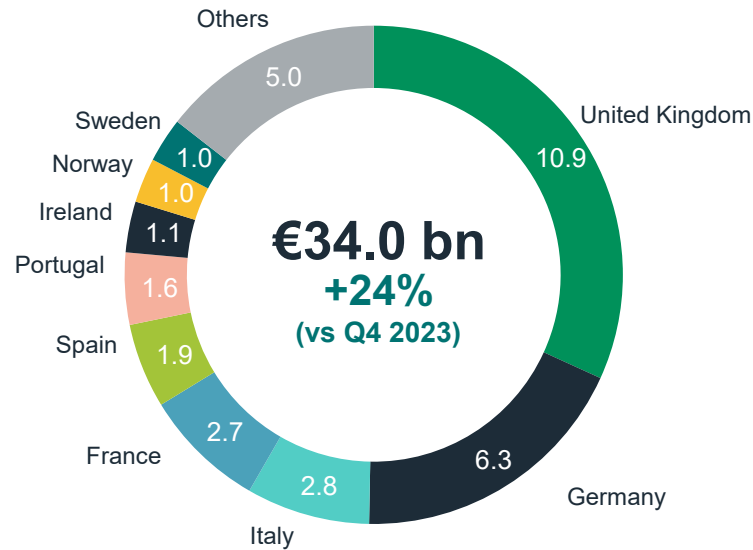


Source : BNP Paribas Real Estate Research

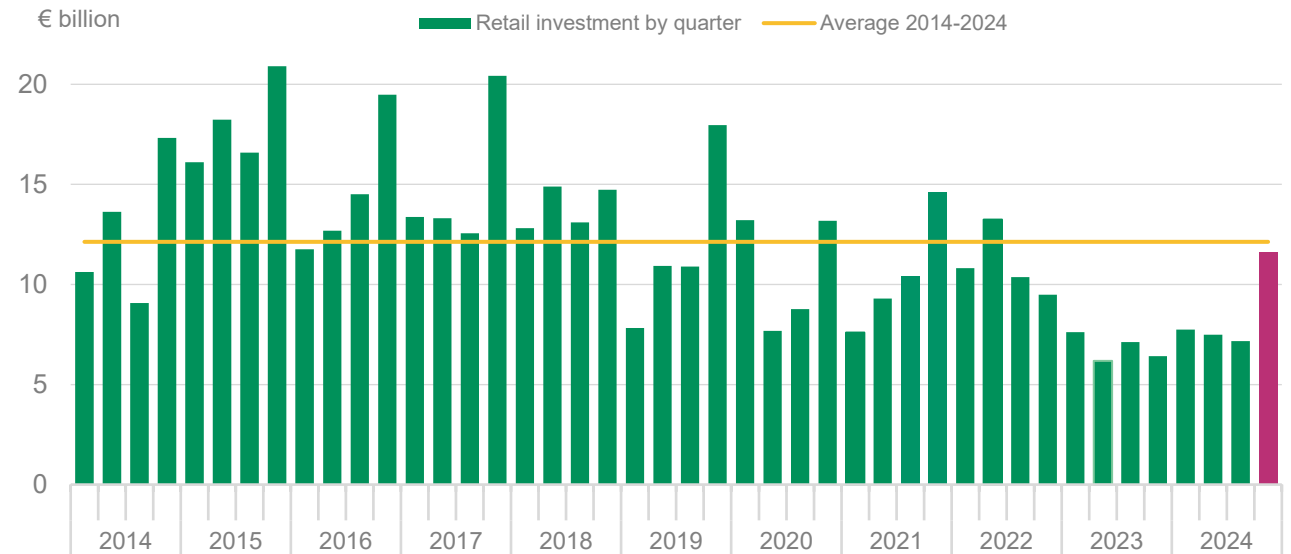
- European commercial real estate investment recorded an increase of 21% in volumes compared to last year. Easing rate of fallback suggests mid 2024 was the bottom for the CRE investment market following the crash triggered by the inflationary shock. Central banks have reduced key lending rates which is making monetary policy more accommodating to real estate, and in turn encouraging reactivation of investment.
- **Hotels** showed extremely good momentum (+70% vs 23 with €20bn invested over the past 12 months) with an increasing interest as global tourism returns to pre-pandemic levels.
- **Retail** experienced a significant rebound with +24% compared to last year. Similarly, **logistics** volumes improved by 23 % vs 2023.
- **Offices** returned to positive territory (+2%), still hampered by complicated pricing and structural changes in working habits.

INVESTORS AIMING TO CAPTURE VALUE IN RETAIL

Investment breakdown by country (Q4 2024 – 12 months)



Retail investment by quarter



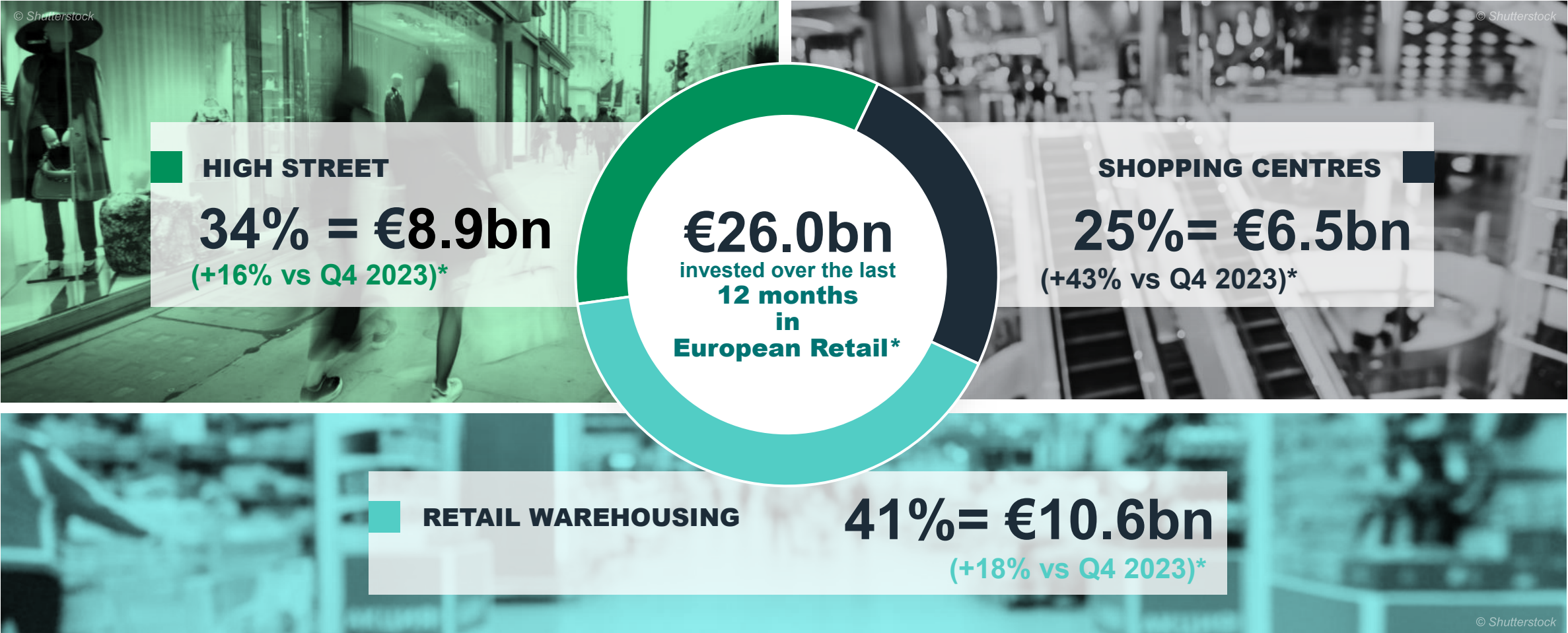
Source : BNP Paribas Real Estate Research

- **Retail** recorded an increase of 24% in investment volume over the past 12 months.
- Investors show **most confidence** in the core markets, as Germany and the UK captured half of **transaction volume**.
- In some countries, over the past 12 months, **retail has been one of the most traded commercial asset classes**. In Germany, investors allocated almost as much capital in retail (24%) as in logistics (27%) and for the first time more than offices (20%). In Spain, the retail sector is the second biggest sector after hotels with 22% of the total. In Italy, the retail sector exceeded office allocation with 29% and 24% of investment volumes respectively.
- The **weaker investment market** contrasts with a **stronger occupier market**. Indeed, operational fundamentals are performing well in retailer turnover, footfall and rental payment.

Source: BNP Paribas Real Estate Research.

RETAIL INVESTMENT IN EUROPE BY ASSET CLASS – 2024

ALL SUB-SECTORS WERE EXPANDING



* Total investment volume in six European countries (Germany, UK, France – including owner-occupier deals, Spain, Italy, and Poland).

Source: BNP Paribas Real Estate Research.

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REAL ESTATE PERSPECTIVES

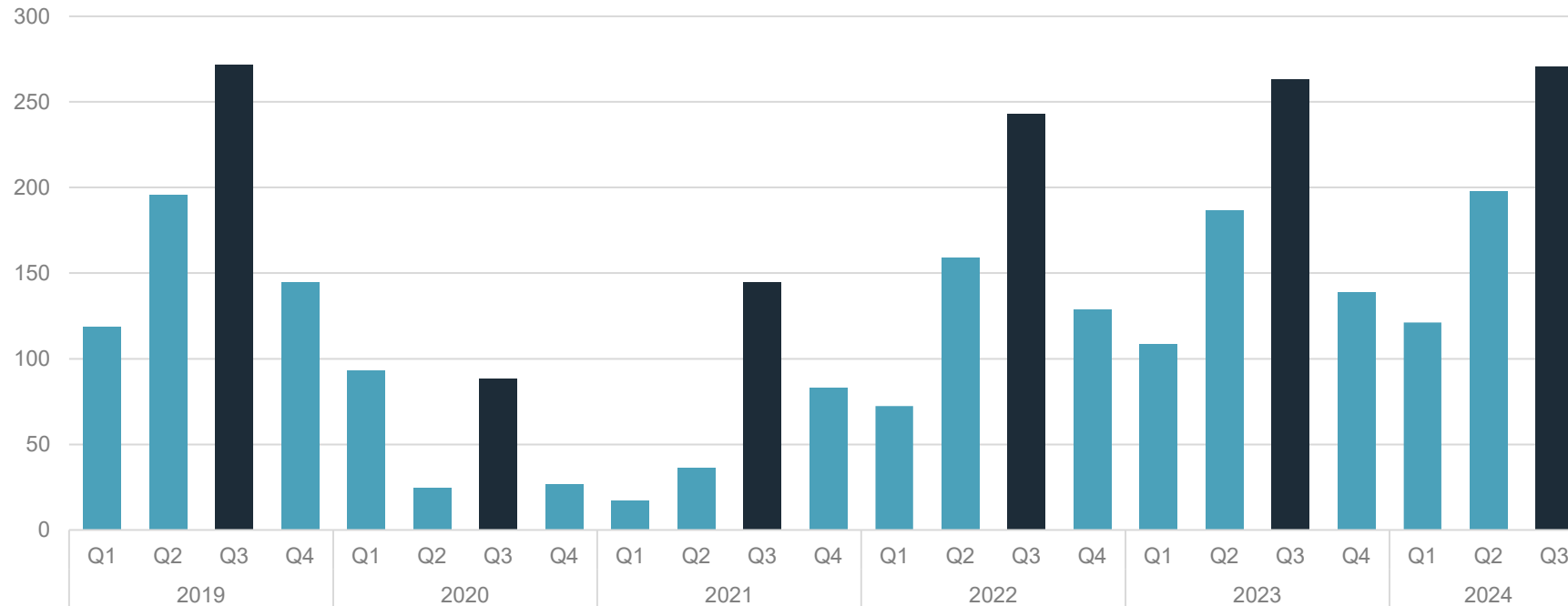
HOTEL MARKETS

INTERNATIONAL TOURIST ARRIVALS IN EUROPE

TOURISM IS BACK TO 2019 LEVELS

International tourists' arrival in Europe

nb in million



© Shutterstock / Dean Drobot

Tourist Arrivals* in Europe

Q3 2024

vs Q3 2023

+3%

vs Q3 2022

+11%

vs Q3 2019

-1%

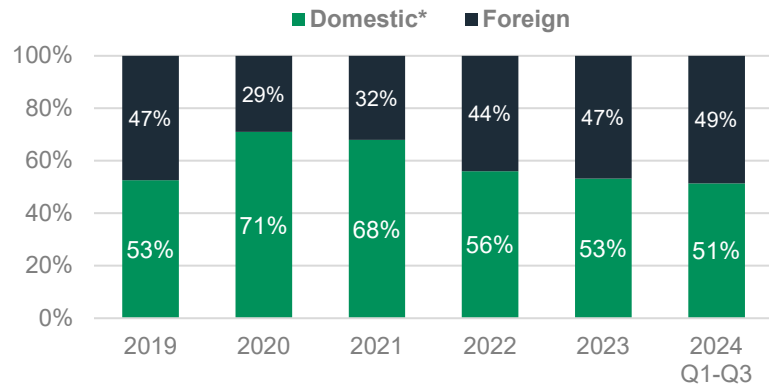
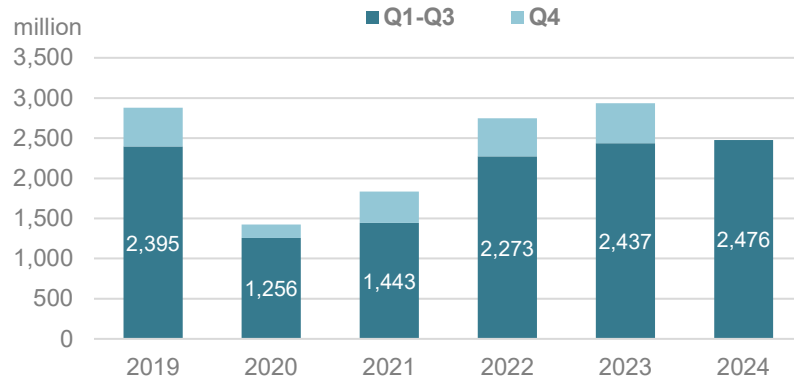
*Arrivals of non-resident overnight visitors (tourists) at national borders

Source: UN Tourism, BNP Paribas Real Estate Research

TOP DESTINATIONS IN EUROPE

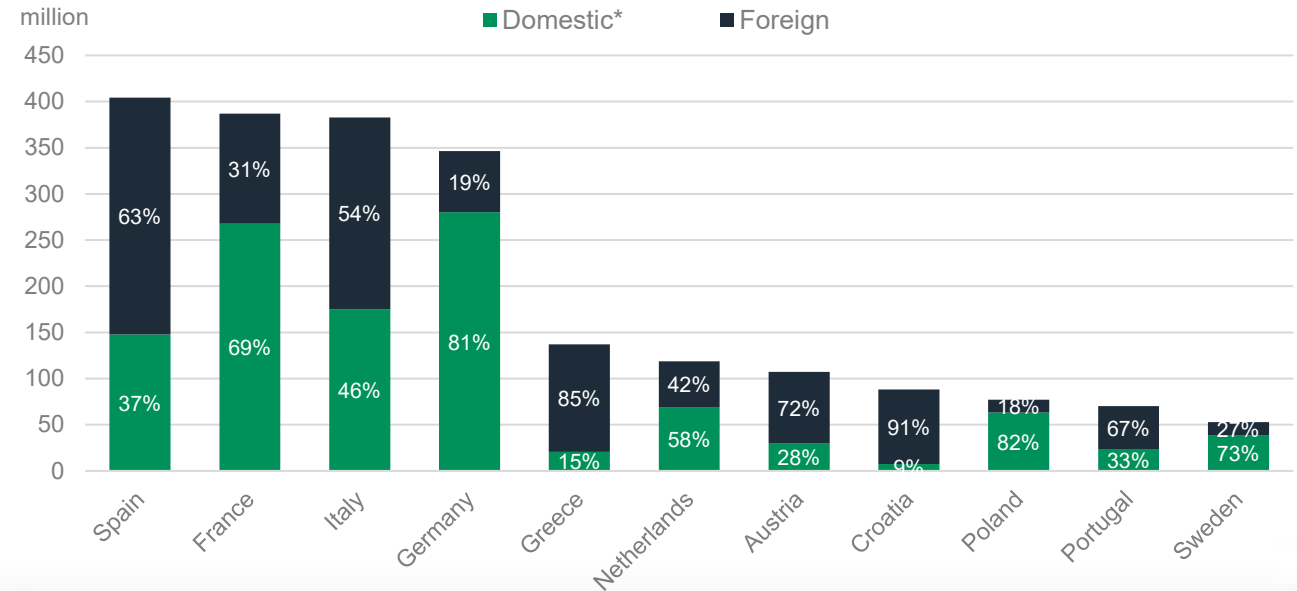
SLIGHTLY ABOVE 2019 LEVELS

Nights Spent at Tourist Accommodation Establishments (EU-27)



*Tourists are classified according to their country of residence, not according to their citizenship

Nights Spent in 2024 (Q1-Q3)



The number of tourists in Europe continues to increase at a moderate rate

- Nights spent increased by +2% in the first 9 months of 2024 (vs 2023 over 9 months)
- International tourism is particularly strong in Spain and Italy, whilst domestic tourism is predominant in Germany

Sources: Eurostat, BNP Paribas Real Estate Research

02.

REAL ESTATE PERSPECTIVES

RESIDENTIAL MARKETS

RESIDENTIAL INVESTMENT VOLUME

ACTIVITY CONTINUES TO VARY BY COUNTRY



EUROPE – 2024

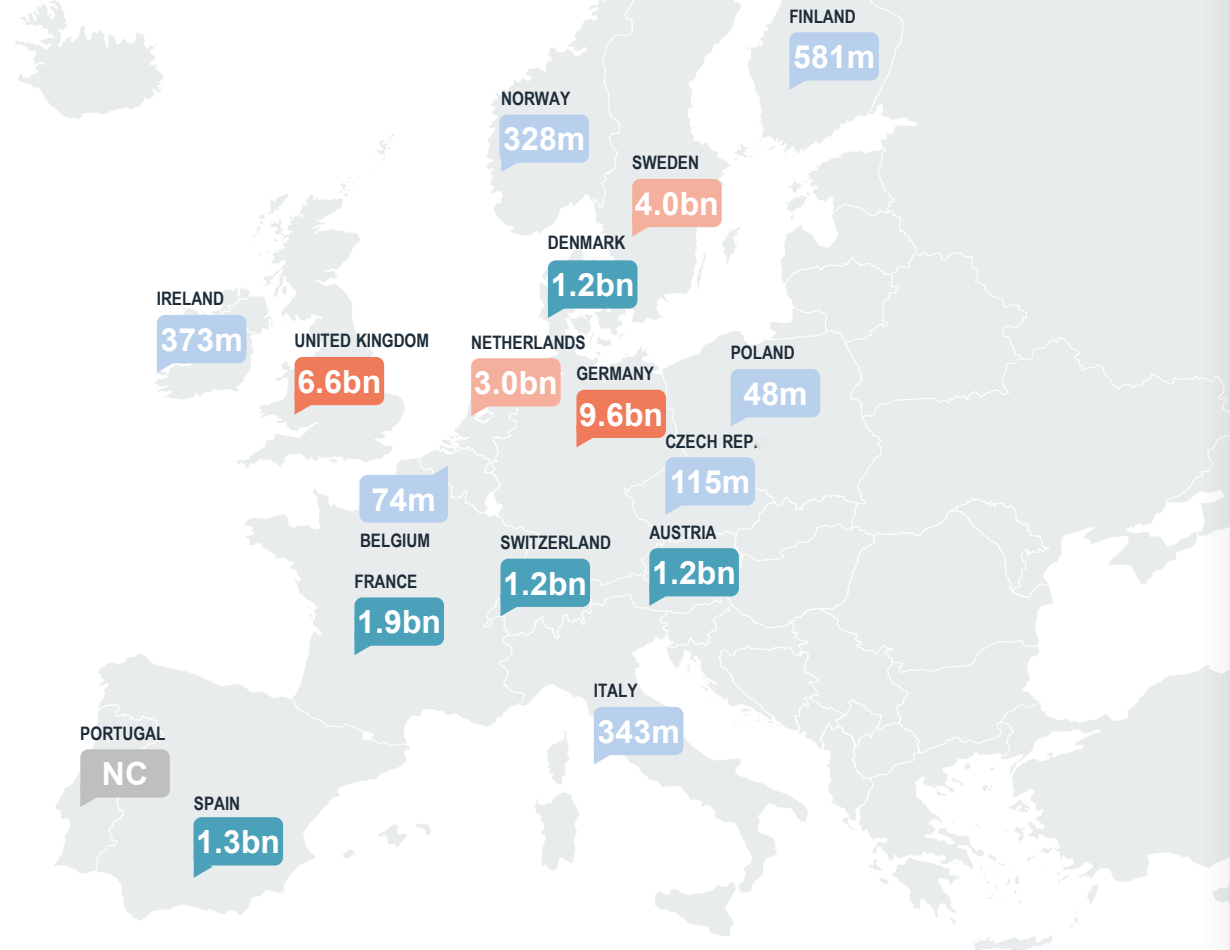
+1.6% vs. 2023

- ❖ Residential investment volumes in Europe reached €32.8bn in 2024, up 1.6% compared to last year but -41% vs the 5-year average.
- ❖ The residential investment in Europe remains strongly impacted by past interest rate hikes. Despite an increase in the number of transactions vs the same period last year, investment volumes continue to suffer from yield decompression, lack of portfolios on the market, and a pickier strategy from investors concerned about refinancing.
- ❖ Nevertheless, the underlying residential fundamentals are still very positive. Strong disequilibrium exists between demand and supply in large urban cities. In these locations there is positive population and income growth and upwards pressure in the rental market, magnified by inflation.
- ❖ Rental market regulation across Europe is an important topic for investment deployment on the short term.
- ❖ However, the residential segment continues to be one of the most targeted by investors according to INREV's survey.

2024 vs 2023

	GERMANY	-22%	↘
	UNITED KINGDOM	+10%	↗
	FRANCE	-15%	↘
	NETHERLANDS	+15%	↗
	ITALY	+352%	↗
	SPAIN	-35%	↘
	POLAND	-88%	↘
	DENMARK	+4%	↗
	SWEDEN	+128%	↗

	> €5bn		€1bn - €2bn
	€2b - €5bn		< €1bn



Source: BNP Paribas Real Estate Research

RESIDENTIAL PRICE IN EUROPE (€ PER SQM)

HOUSE PRICES CONTINUE TO RISE

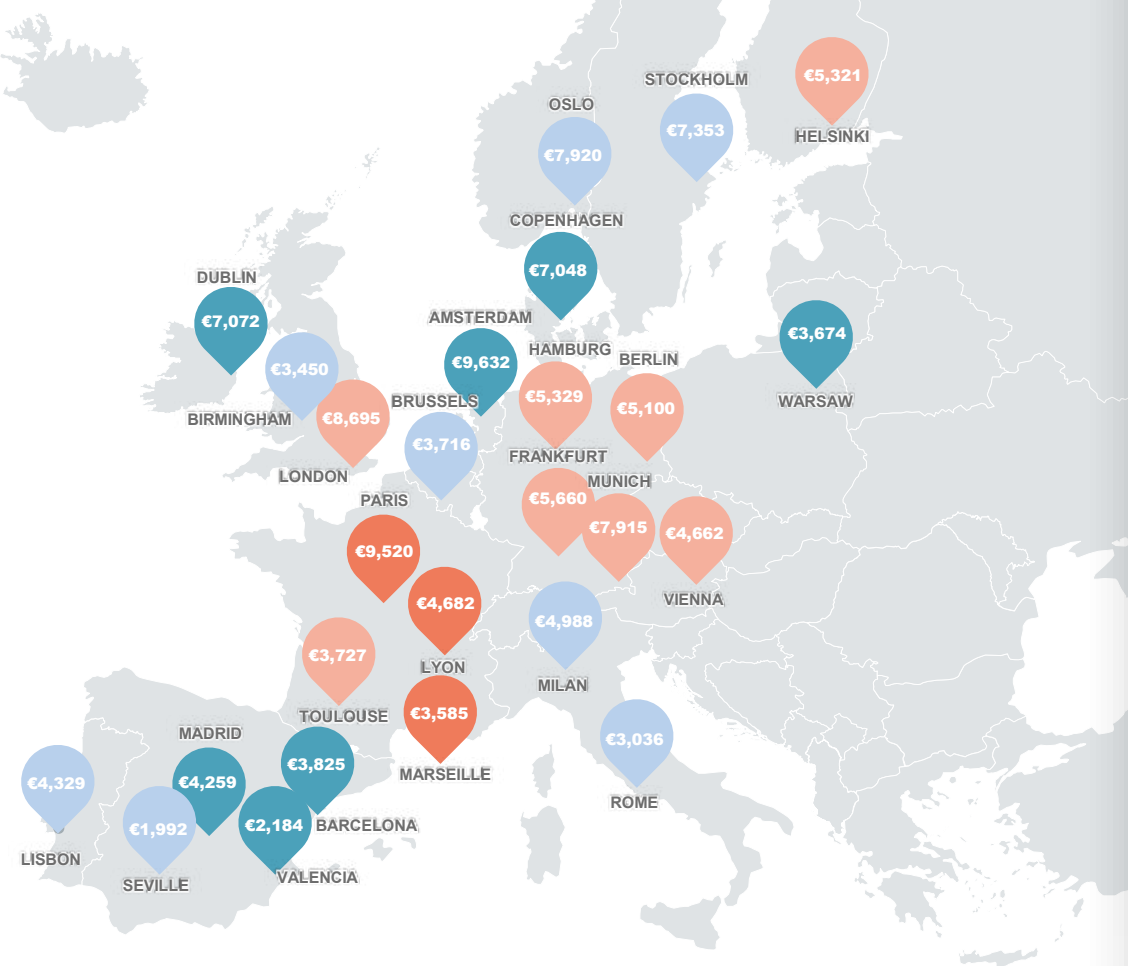
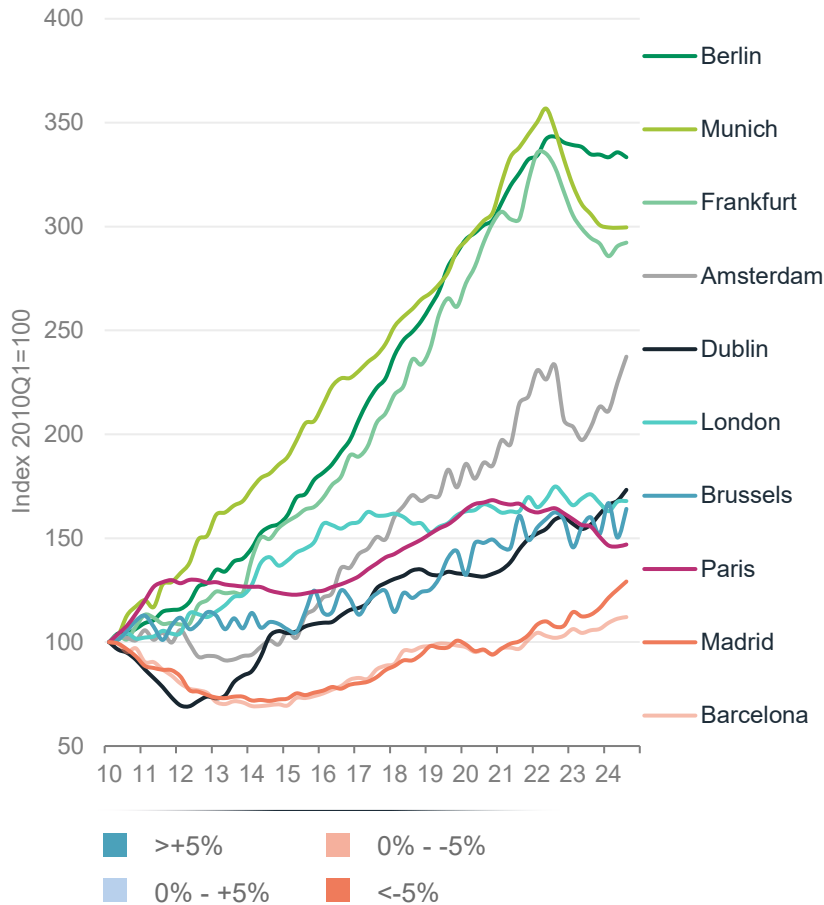


EUROPE – Q3 2024

+2.7% vs. Q3 2023

- House prices across European cities are now expanding on aggregate at +2.7% in Q3 2024 vs Q3 2023.
- Over the last year, 6 cities experiencing double digit growth included Warsaw (+23%), Valencia and Amsterdam (+17%), Madrid (+14%), Rotterdam (+12%), and Dublin (+11%).
- Lower rises were seen in Lisbon (+2% y/y), Brussels and Stockholm (+3% y/y), and Barcelona (6% y/y).
- In Q3 2024, house prices continued to fall in Paris (-6% y/y), Helsinki (-5% y/y), Munich (-2% y/y), London (-2% y/y). Weaker mortgage volume partly explains this decline, as there is a positive correlation between credit volume and price growth.
- House prices reached historic highs in Amsterdam, Copenhagen, Dublin, Madrid, Manchester, Milan, Rotterdam, and Warsaw in Q3 2024.

Residential price growth



Sources: BNP Paribas Real Estate Research

RESIDENTIAL RENTAL LEVEL IN EUROPE (€/SQM/M)

RENTS HIT NEW RECORD HIGHS

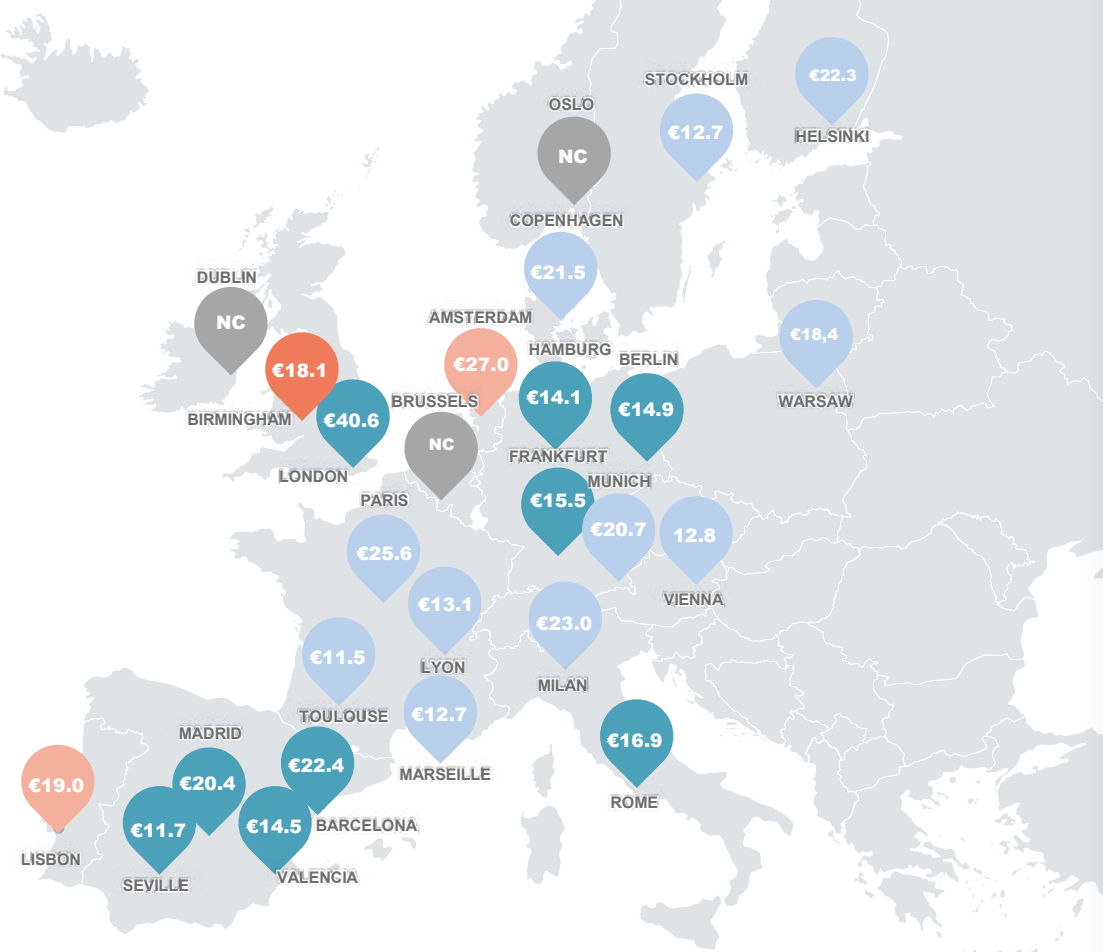
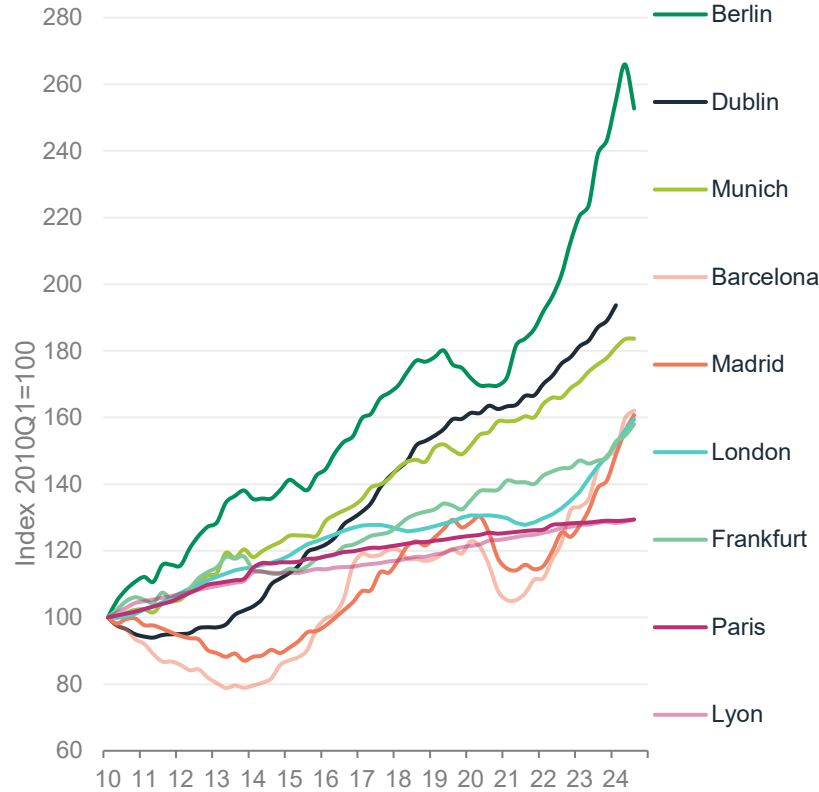


EUROPE – Q3 2024

+4.2% vs. Q3 2023

- Residential rental values across European markets are still booming at +4.2% y/y in Q3 2024.
- Demand in the rental market continues to rise despite high rental values. Several factors explain this: 1) higher cost of purchase prices and mortgage rates resulting in a decrease in property purchase affordability, 2) European regulations on energy and limits on rent increase led to lessors leaving the rental market, creating a supply shortage, 3) more profitability can be achieved in the short-term rental market as tourism rises, 4) lack of new housing construction.
- Double-digit rental growth is observed in 4 of the 28 markets: Valencia (+17%), Madrid (+16%), Barcelona, and Rome (12%).
- However, rents are rising at a slowest pace due to rent regulations in some places. Compared to Q3 2023, rent decreased in Amsterdam (-1%), Lisbon (-2%). Scotland is proposing introducing rental regulation, although currently in Glasgow (-5%), rents have fallen back.

Residential rental growth



Sources: BNP Paribas Real Estate Research

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REAL ESTATE PERSPECTIVES

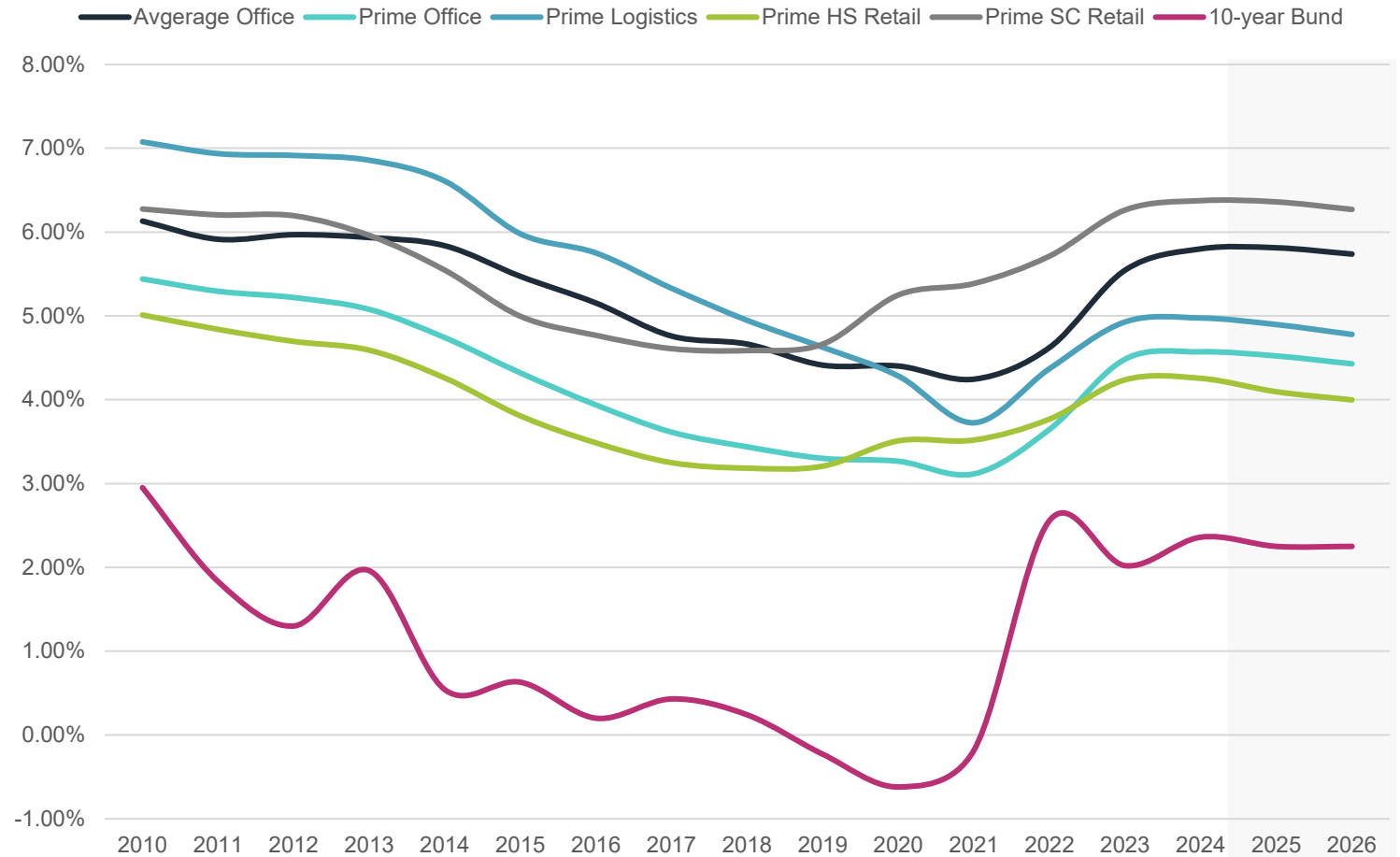
HOUSEVIEW

AVERAGE PRIME YIELDS IN EUROPE

BASED ON 16 MARKETS

A cautious compression in yields emerges

- Inflation has subsided significantly, paving the way for Central Banks (CB) to ease policy rates. In 2024, both the European Central Bank (ECB) and Bank of England (BoE) reduced rates by 100bps and 50bps, respectively.
- We expect them to continue easing policy rates in 2025, on the back of faltering growth. For both CB's we expect a further 100bps cut in 2025 taking the ECB and BoE policy rates to 2.00% and 3.75%, respectively by end 2025.
- However, heightened trade tensions and global fiscal loosening means money market interest rates remain volatile. In recent months we have seen swap and risk-free rates remain elevated. On the back of this volatility, we now see a broader recovery in real estate yields from 2026
- However, for Grade A assets with strong fundamentals, such as good location and rental growth potential, a cautious adjustment is likely in second half of 2025.



Source: BNP Paribas Real Estate, February 2025

PRIME TOTAL RETURN IN EUROPE

AVERAGE BY ASSET CLASS – EUROPE

All returns are not equal

- Over the next five years we see similar average unadjusted returns (8.5%) for all real estate sectors, with varying risk.
- The uncertainty in the real estate market is most acute in the **office** segment. It is going through a profound structural and cyclical change. There is now a clear dichotomy in the performance of prime and average buildings, as tenant demand concentrates on well located and ESG compliant assets.
- In the **logistics** sector occupier demand for space has slowed in some core markets, but with supply still constrained, we think rental growth will continue to normalize from their highs. However, in the investment market demand remains strong, but yields remain stable resulting in relatively moderate returns, compared to recent years.
- The **retail** sector is coming back as investors see the trough in its downturn. However, there are many shades in retail and investor preference is for high street instead of Shopping Centres (even if the latter has higher level of return, driven by elevated yield return).



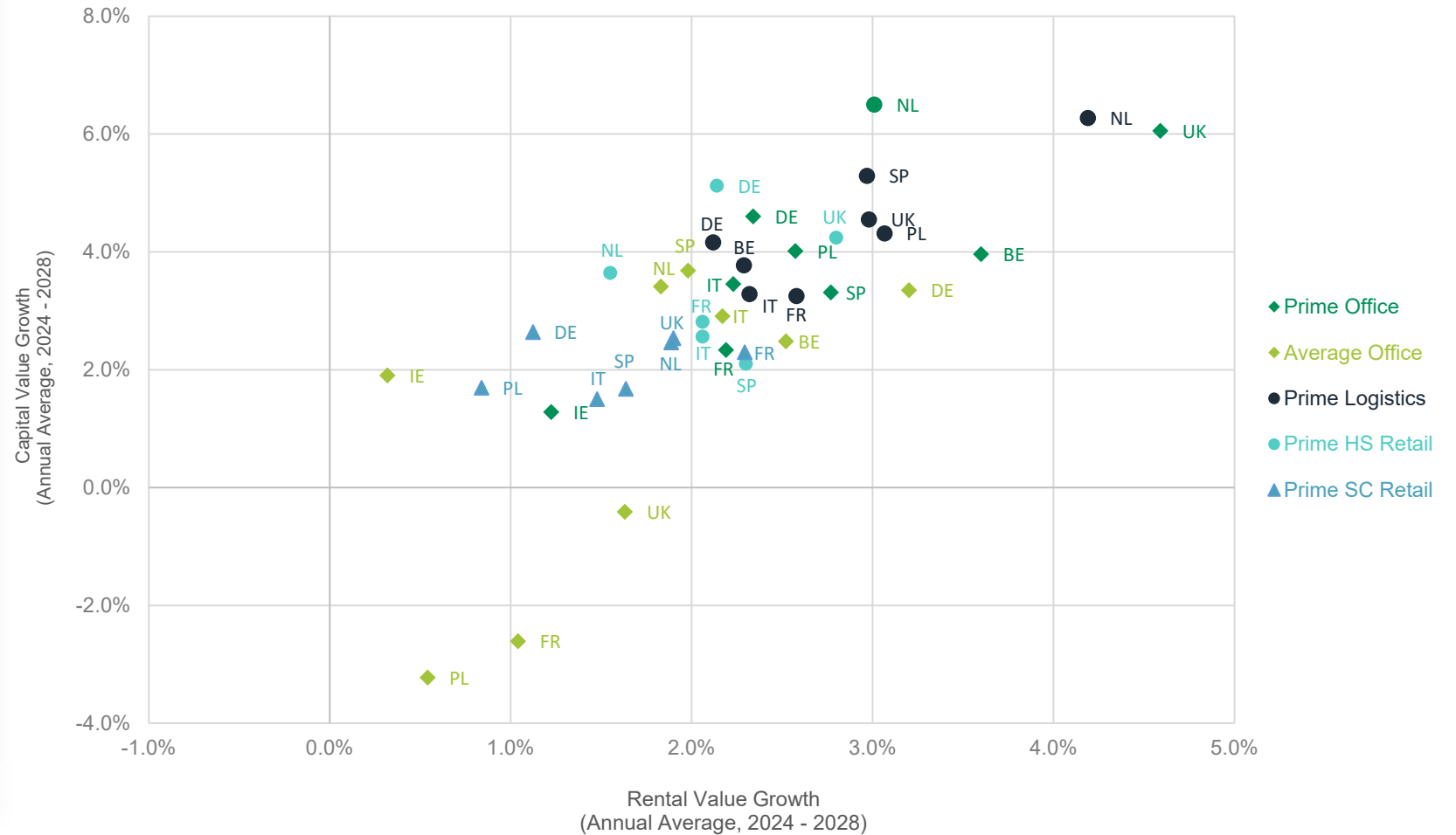
Source: BNP Paribas Real Estate, February 2025

REAL ESTATE MOMENTUM

PRIME RENTAL GROWTH VS PRIME CAPITAL GROWTH

Rental growth will drive value in the medium term

- Long-term interest rates remain elevated, albeit stable, and real estate yields are unlikely to decline in the short term. As such meaningful recovery in capital value is unlikely, returns will be mainly driven by rental growth.
- Therefore, sectors with favorable demand/supply dynamics and strong rental growth potential will outperform. In this regards both **prime office** and **logistics** are well positioned to offer the best performance over the next five years with rental growth supporting capital growth.
- After a significant adjustment in values over the past four years, **high-street retail** is beginning to see rental growth again and could offer interesting opportunities over the forecast horizons. However, the risk of further yield expansion means **Shopping Centers** remain challenged.
- The alternative asset classes such as the broader living sector and data center also present an interesting prospect.



Source: BNP Paribas Real Estate, February 2025

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