

EUROPE CRE 360

ECONOMIC OUTLOOK
REAL ESTATE PERSPECTIVES



GLOBAL RESEARCH
May 2025

© AdobeStock_612800565



BNP PARIBAS
REAL ESTATE

Real Estate for a changing world

01.

ECONOMIC OUTLOOK

— [p4](#)

02.

REAL ESTATE PERSPECTIVES

— [p9](#)

[p10](#) CAPITAL MARKETS

[p19](#) OFFICE

[p25](#) LOGISTICS

[p30](#) RETAIL

[p34](#) HOTEL

[p37](#) RESIDENTIAL

[p41](#) HOUSEVIEW

EXECUTIVE SUMMARY

IN A NUTSHELL

POLICY SHIFTS IMPACT ECONOMIC OUTLOOK

- Higher defense spending and looser fiscal policy in Germany will support near term economic growth in Europe.
- However, higher US import tariffs and global uncertainty will prevent much of a rebound.
- Europe is well placed to weather the tariff shock, and we expect the ECB to respond with an additional interest rate cut this year.
- Overall, we forecast eurozone GDP to grow by 1.0% y/y in 2025 and 1.3% y/y in 2026.

THE LOGISTICS MARKET IS SLUGGISH

- Over Q1 2025, the occupier market remained stable at a low level in the leading European markets compared to Q1 2024. Apart from Spain, demand has been lagging in most countries.
- Slow start to the year for capital markets. Yield decompression has closed with stabilisation recorded almost everywhere in Europe, creating a more stable environment than in the previous years

CAPITAL MARKET CONTINUED TO REBOUND

- Total investment for Q1 2025 amounted to €162bn showing a solid +22% year-on-year increase. The increase is driven by all asset classes.
- Following a sustained improvement over 2024, the beginning of this year continued to see expansion.
- Even with the geopolitical landscape creating ongoing ambiguity, the European macroeconomic and financial backdrop is favourable. The new direction of central bank's monetary policy is likely to persist.

RETAIL: PROMISING PROSPECTS FOR OCCUPIER MARKET

- Retail recorded a significant rebound of 31% in investment volume over the past 12 months. Investors show most confidence in the core markets, as Germany and the UK captured almost 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 positively impact real wages and consumer confidence, thus boosting domestic consumption across Europe.

OFFICE LETTING : AN ENCOURAGING Q1

- Europe's take-up recorded its first Q1 increase (+8% compared to Q1 2024) since 2022, in line with the 5-yr average (-2%).
- Despite a generalized increase in vacancy rates, CBD locations hold up much better than secondary sectors, which are experiencing faster growth.
- Prime rents in Europe are increasing thanks to the attractiveness of the most sought-after locations (+5.1% vs Q1 2024).

RESIDENTIAL: ACTIVITY PICKS UP

- Residential investment volume reached €8.9bn (+31% y/y) in Q1 2025, the highest Q1 transaction volume since 2022.
- House prices and rental values increased by 5.3% and 4.2% y/y, respectively, in Q4 2024.
- In Q4 2024, rental affordability in Europe remained stable compared to the 5-year average, at average 23% of household disposable income. However, disparities persist in household purchasing power, creating investment opportunities in cities where rental demand remains strong.

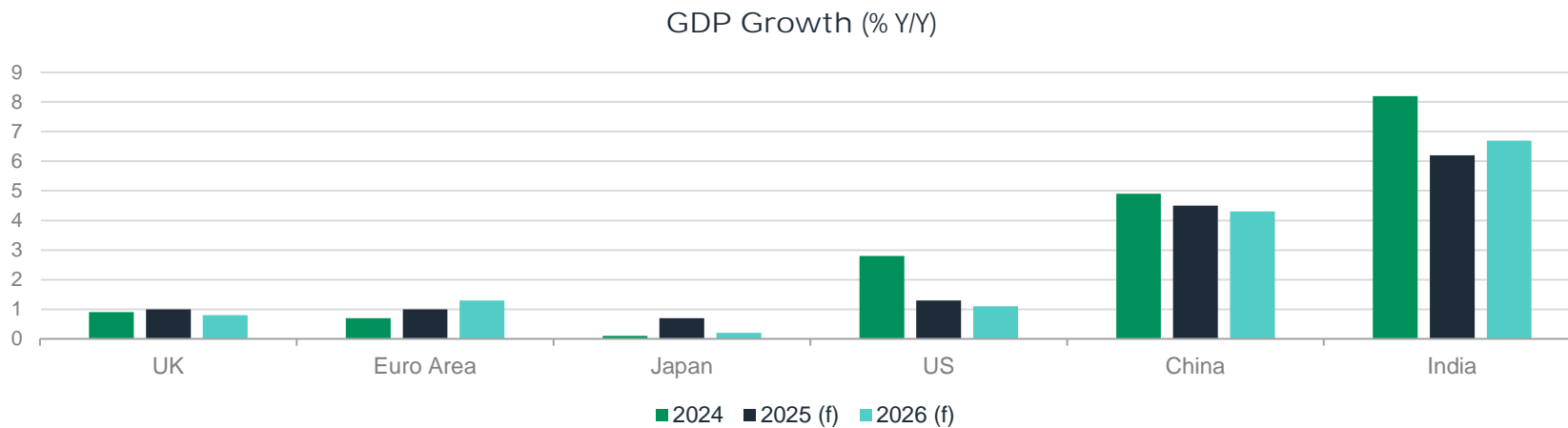
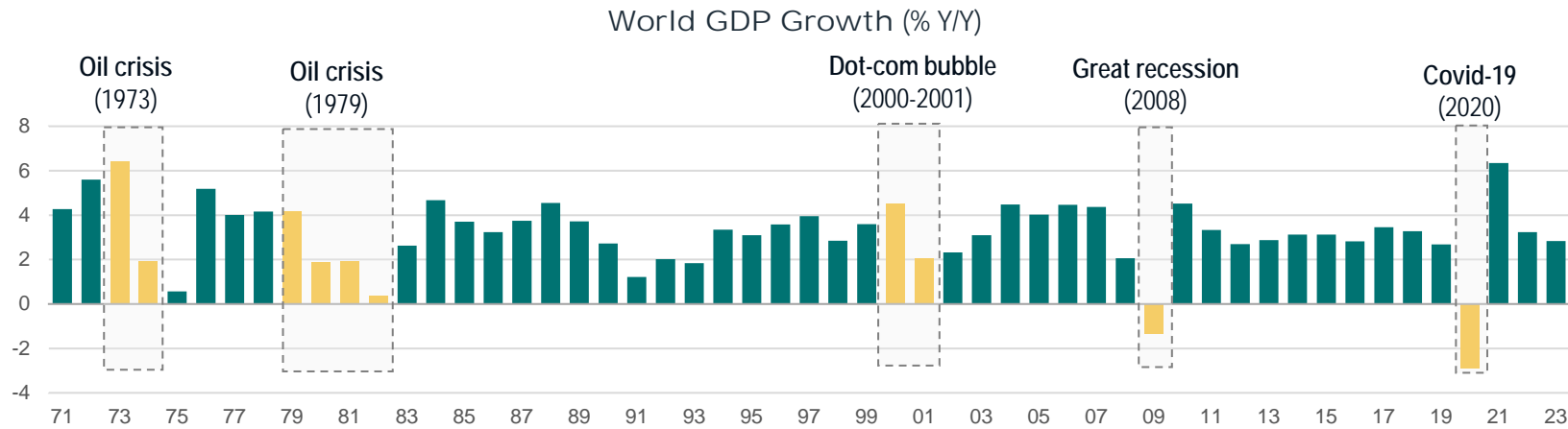
01.

ECONOMIC OUTLOOK



GLOBAL ECONOMY

TARIFFS SHAKE UP GLOBAL ECONOMY



Trade war escalation leads to weaker global outlook

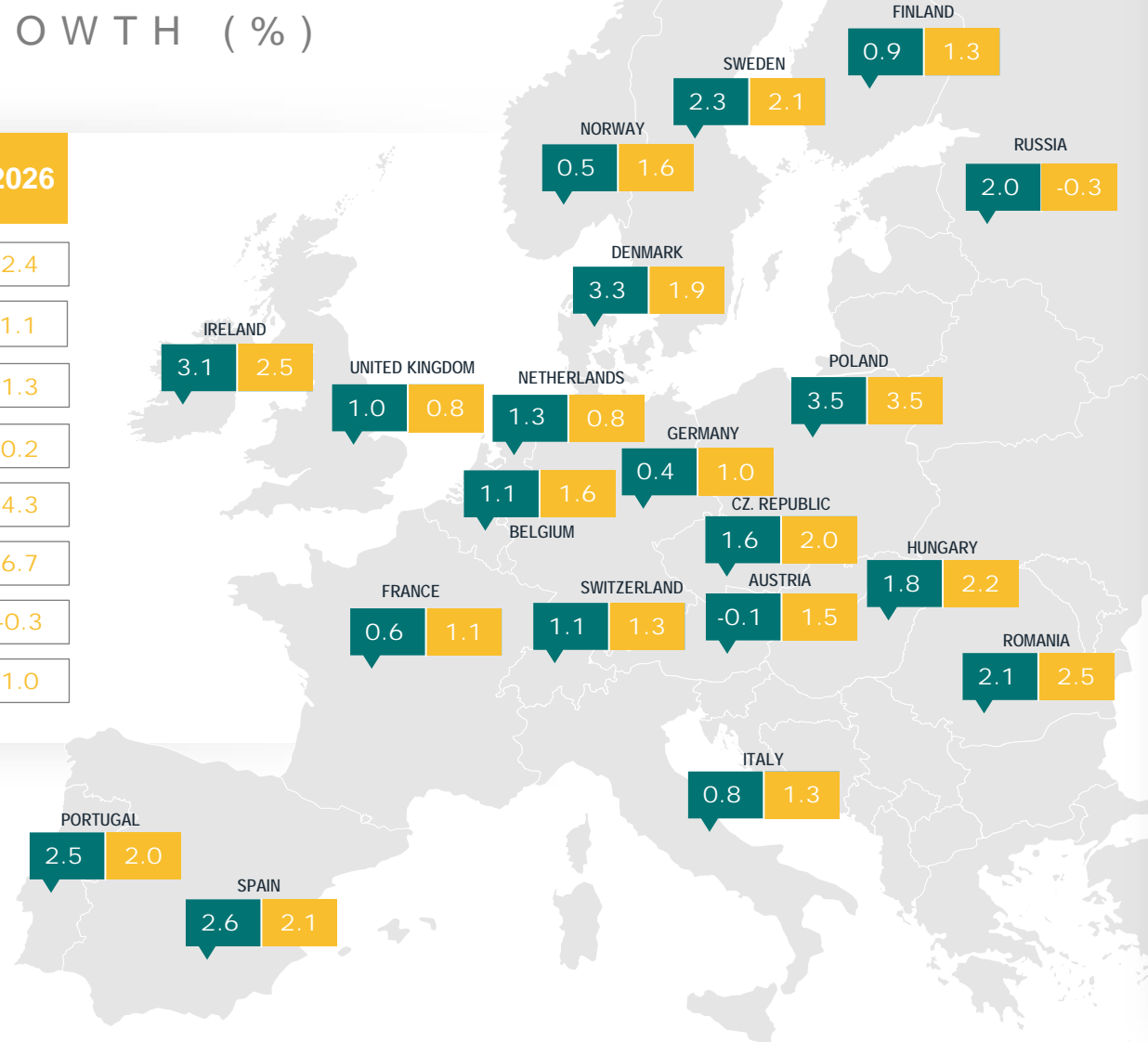
- US President Trump's flurry of tariff announcements have destabilised the global economy. These protective measures could disrupt trading patterns, weaken global demand and cause a degree of long-term economic scarring.
- There are multiple channels through which tariffs could impact the global economy. One of which is via an uncertainty shock. This is likely to deliver the largest hit to economic activity in the near term, as uncertainty around prevailing tariff rates weighs on sentiment and delays businesses, consumers and governments from making economic decisions.
- While the shift in US policy has likely started a restructuring of the global trading and financial systems, this does not mean a reversal of globalisation. US trade barriers are likely to remain elevated. However, we do not expect them to be replicated between other countries around the world.
- In our view, higher trade barriers will be most damaging to the US economy, leading to a significantly weaker near-term growth outlook. Whereas China will also be heavily impacted, Europe appears better placed to weather the shock.
- Overall, the global growth outlook has deteriorated and the risk of a global recession has increased.

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

ECONOMIC GROWTH IN EUROPE

ANNUAL GDP GROWTH (%)

	2024	2025	2026
World	3.0	2.3	2.4
United States	2.8	1.3	1.1
Euro area	0.8	1.0	1.3
Japan	0.1	0.7	0.2
China	4.9	4.5	4.3
India	8.2	6.2	6.7
Russia	3.9	2.0	-0.3
Brasil	3.4	2.1	1.0



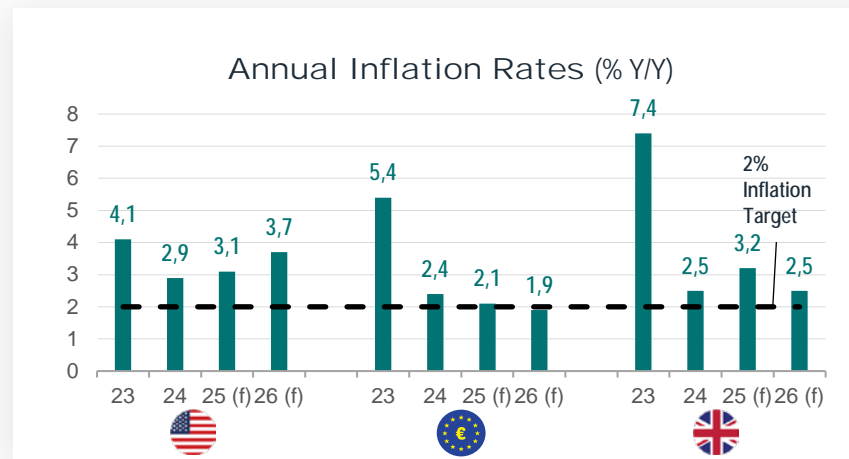
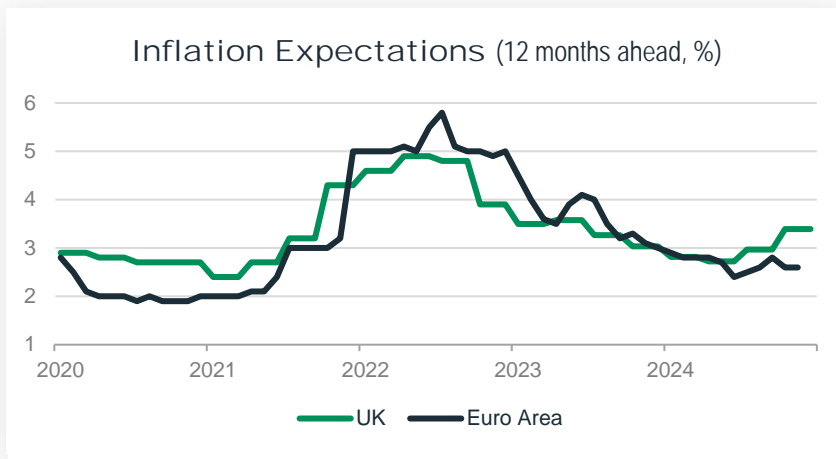
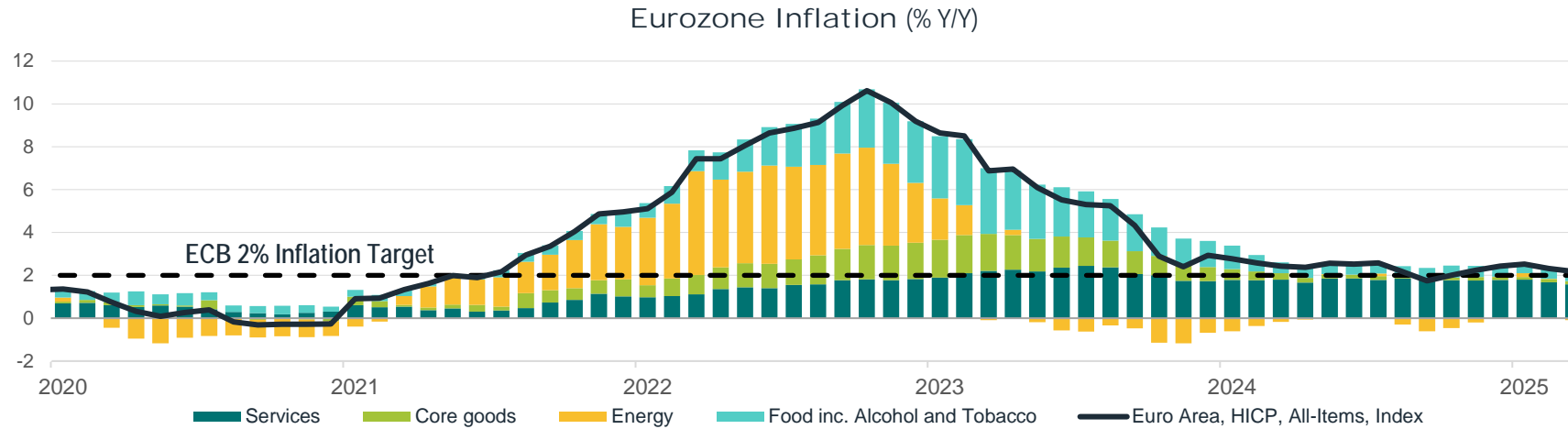
Europe well placed to weather the tariff shock

- In recent months there have been several key changes to Europe's macroeconomic backdrop.
- On the upside, Europe has undergone a significant shift in fiscal policy. The combination of the EU's ReArm Europe plan, Germany's EUR500bn infrastructure investment fund and the tweak to its debt break rule will provide support to economic activity.
- Meanwhile, the moderation in inflation, interest rate cuts and the disbursement of NGEU funds remain supporting factors.
- On the downside, an escalation in the trade conflict with the US will dampen any rebound in economic growth. Higher tariffs will most directly impact the manufacturing sector. However, the broader economy will also be affected by weaker global demand, financial market volatility and heightened trade policy uncertainty.
- The silver lining is that Europe appears relatively well positioned to deal with the shock. Firstly, it has strong cards to play in trade negotiations with the US, due to its large consumer market. Secondly, it is less reliant on US goods exports than other US trading partners. Thirdly, there is space for monetary and fiscal policy to mitigate the potential impact.
- Overall, we remain optimistic about the medium-term outlook for European economies and continue to expect an acceleration in economic growth over the next couple of years.

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

INFLATION RATES

INFLATION RATES DIVERGE



Inflation stable in euro area, but rising elsewhere

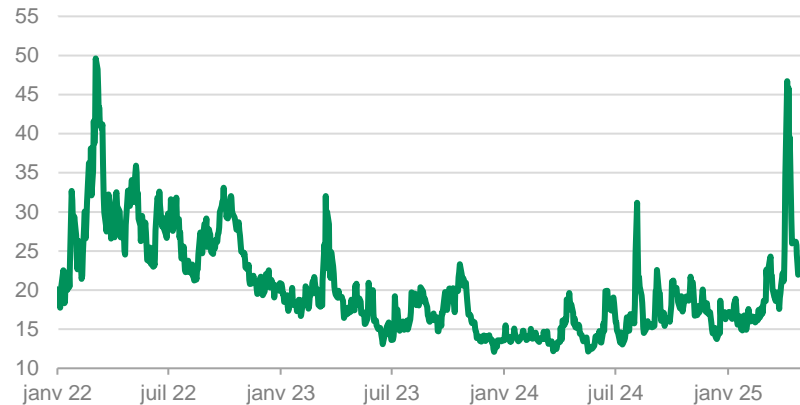
- The extreme price pressures of recent years have faded, leaving a much-improved inflation backdrop in Europe.
- The latest data showed that euro area headline inflation declined to 2.2% y/y in March, which is broadly in line with the ECB's 2% y/y target.
- At a sector level, energy and goods inflation remained relatively subdued. Meanwhile, inflation ticked down in the services sector, albeit from higher levels.
- Looking ahead, there is speculation around the impact of US tariffs on inflation rates globally. It is widely expected that higher import costs will push up inflation in the US. However, the impact on the rest of the world is more ambiguous.
- Our view is that higher US tariffs will lead to lower inflation in Europe. This is because weaker growth, lower energy prices and a stronger EUR exchange rate all point to weaker price pressures. Higher-than-anticipated tariffs on Chinese goods increase the risk of export dumping, which could also weigh on inflation in Europe.
- The improved inflation backdrop has coincided with household inflation expectations stabilising at lower levels. The same cannot yet be said for the UK.
- We expect rising business costs and higher household energy prices to push UK inflation higher this year. However, we think price pressures will dissipate in 2026, helping inflation to return close to the central bank's target.

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

FINANCIAL MARKETS

ECONOMIC AND FINANCIAL INDICATORS

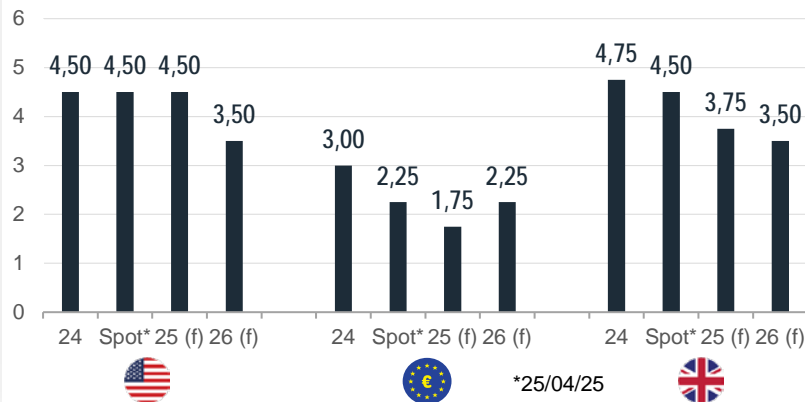
Euro Area Volatility Index



European Real Estate Equity Index



End-Year Policy Rates (%)



10-Year Government Bond Yields (%)



Tariff escalations rattle global financial markets

- The recent shift in US trade policy has caused large movements in financial markets. The biggest response was to US President Trump's 'Liberation Day' tariff announcements on 2nd April. This resulted in a sell-off in global equities and the largest spike in euro area stock market volatility since Russia invaded Ukraine in early 2022.
- Some of these losses were reversed following indications of tariff reductions. For example, European REIT prices made a full recovery.
- However, lingering uncertainty will continue to weigh on investor confidence, and volatility in financial markets is likely to persist while tariff negotiations are ongoing.
- In the light of the larger-than-anticipated tariff announcements, we have reassessed the outlook for monetary policy. In the US, we still expect the Federal Reserve to keep its policy rate unchanged this year. However, a deterioration in the US growth outlook means we now expect more interest rate cuts in 2026.
- Given the implications for euro area inflation, we have lowered our ECB policy rate forecast to a trough of 1.75% in mid-2025. In 2026, we think the ECB will raise its policy rate back up to 2.25% due to the impact of looser fiscal policy.
- Meanwhile, our view that the BoE will lower its policy rate to 3.50% in 2026 is unchanged.
- Broadly speaking, we expect long-term government bond yields to end the year close to their current levels.

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

02.

REAL ESTATE
PERSPECTIVES

02.

REAL ESTATE PERSPECTIVES

CAPITAL MARKETS

CAPITAL MARKET IN EUROPE

CAPITAL MARKET UNPACKED



INVESTMENT
VOLUME

€162bn

Q1 2025
Rolling year

The CRE investment market hit bottom in late Q1 2024 and is now growing again



HIGH-PERFORMING
SECTOR

+31% y/y
+13% q/q

RETAIL

Retail is following a sustained upward trajectory in investment



PRIME YIELDS

4.70% vs Q1 24 → 4.30% vs Q1 24 ↘ 5.00% vs Q1 24 →

Office

Retail

Logistics

Q1 2025

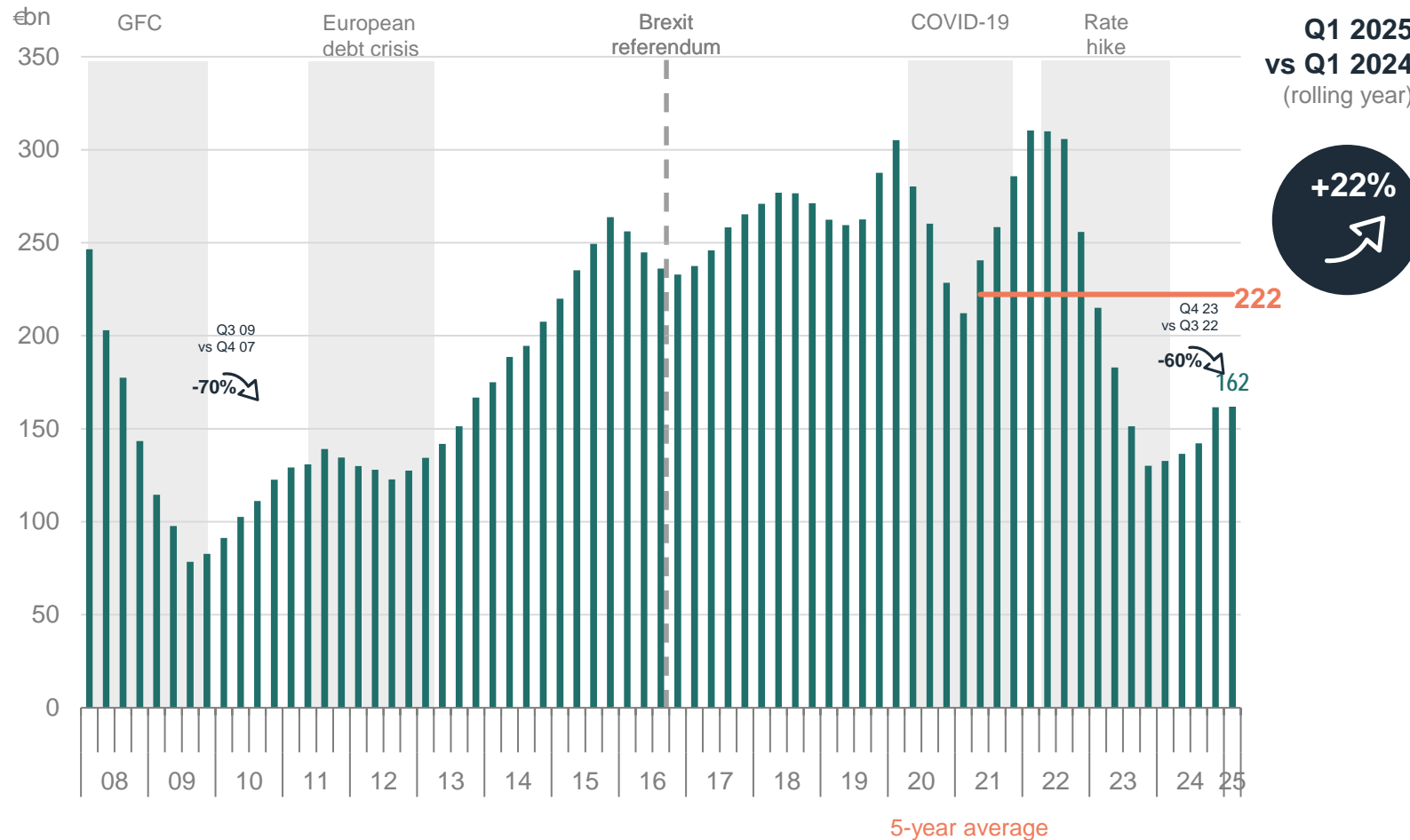
Q1 2025

Q1 2025

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

INVESTMENT IN EUROPEAN COMMERCIAL REAL ESTATE

UPWARD TRAJECTORY FOR INVESTMENT VOLUME



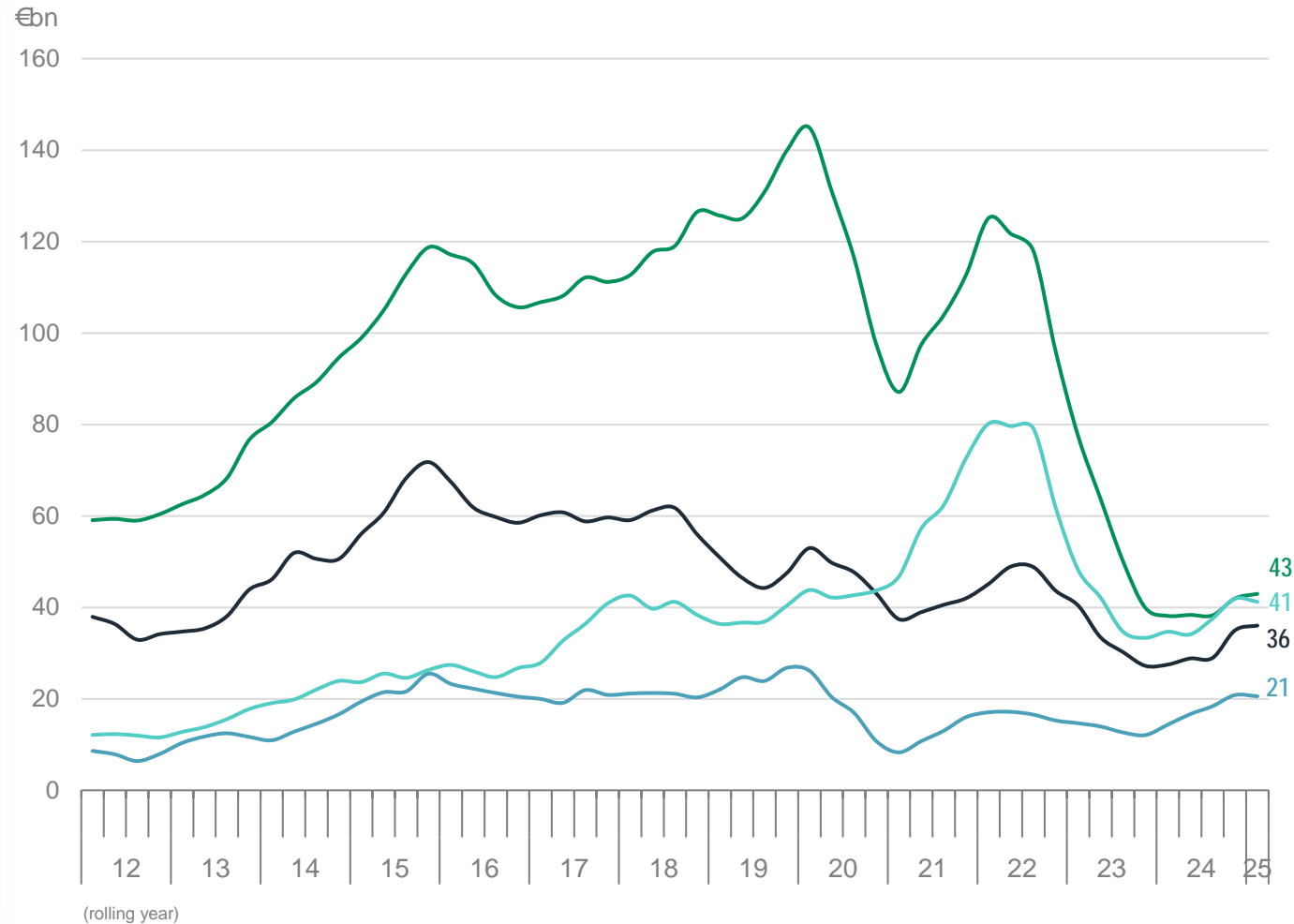
- **Total investment for Q1 2025 amounted to €162bn showing a solid +22% year-on-year increase.**
- The crash triggered by the inflationary shock is now behind. Following a sustained improvement over 2024, the beginning of this year continued to see expansion.
- Even with the geopolitical landscape creating ongoing ambiguity, the European macroeconomic and financial backdrop is favourable. The new direction of central bank's monetary policy is likely to persist.
- **From June 2024 to April 2025, the ECB undertook seven back-to-back rate cuts of 25 basis points in the deposit facility, reaching 2.25%. Further downward adjustments are expected to be implemented during the year.**
- The market correction (-60%), while comparable to the downturn experienced during the Great Financial Crisis (-70%), did not bring volume to the levels seen in late 2009.
- As market confidence increasingly restores, investment volumes are expected to steadily gain momentum over the coming year.

This excludes residential investment.

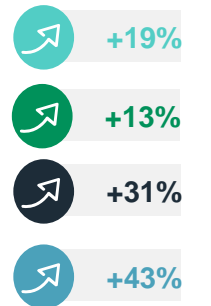
INVESTMENT IN EUROPEAN COMMERCIAL REAL ESTATE

A SUSTAINED RECOVERY ACROSS THE ASSET SPECTRUM

- Market reactivation continued to stand out in the investment numbers. Noticeable improvements emerged across all asset types.
- **Offices at €43 billion increased by +13% year-on-year.** Expansion is now evident as the growth rate of this sector has accelerated compared to 2024 (+5%). On a rolling year basis, most markets are following an upward trend.
- **Logistics at €41 billion (+19% vs Q1 2024)** continues to recover albeit slower than in late 2024. Since Q3 2024, logistics and offices have roughly reported the same volumes. It remains to be seen if parity in volumes sustains going forward and represents a turning point for real estate allocations. Growth is sustainable as investors may now detect some under-pricing in the sector.
- **Retail at €36 billion (+31% vs Q1 2024)** has performed particularly well since 2024 (+29% y.o.y) and maintained growth at the beginning of the year. Although the segment remains perceived as risky, interest from investors is now strengthening. On a quarterly basis, growth is at +13% compared to the first quarter of 2024.
- **Hotels at €21 billion** recorded the highest growth in the past 12 months (+43% y.o.y) with a stable volume compared to 2024 annual volume. Its market share is now 13%, double the 6% seen in 2021. The market may expand further over 2025 as investors seek to add more hotels to portfolios given the strong occupational fundamentals of the sector.



Q1 2025 vs Q1 2024 (rolling year)



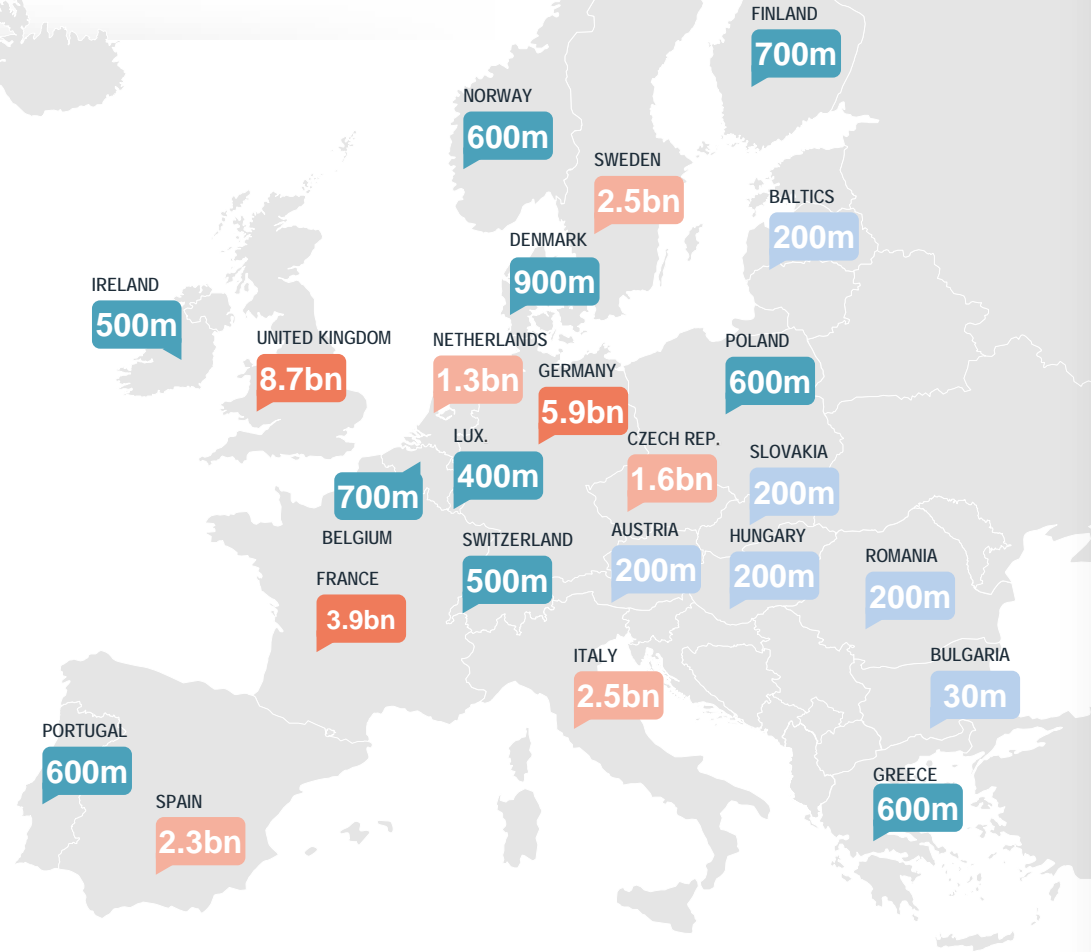
This excludes residential investment.

COMMERCIAL REAL ESTATE INVESTMENT

MOST MARKETS ARE GAINING TRACTION

Q1 2025 vs Q1 2024

	UNITED KINGDOM	-31%
	GERMANY	+7%
	FRANCE	+20%
	SWEDEN	+25%
	NETHERLANDS	-35%
	SPAIN	+28%
	ITALY	+25%
	NORWAY	-65%
	POLAND	+83%
	BELGIUM	+55%
	DENMARK	+17%
	FINLAND	+67%
	IRELAND	+361%
	AUSTRIA	-46%
	LUXEMBOURG	+135%



EUROPE - Q1 2025

€36.2bn
+0% Q1 2024

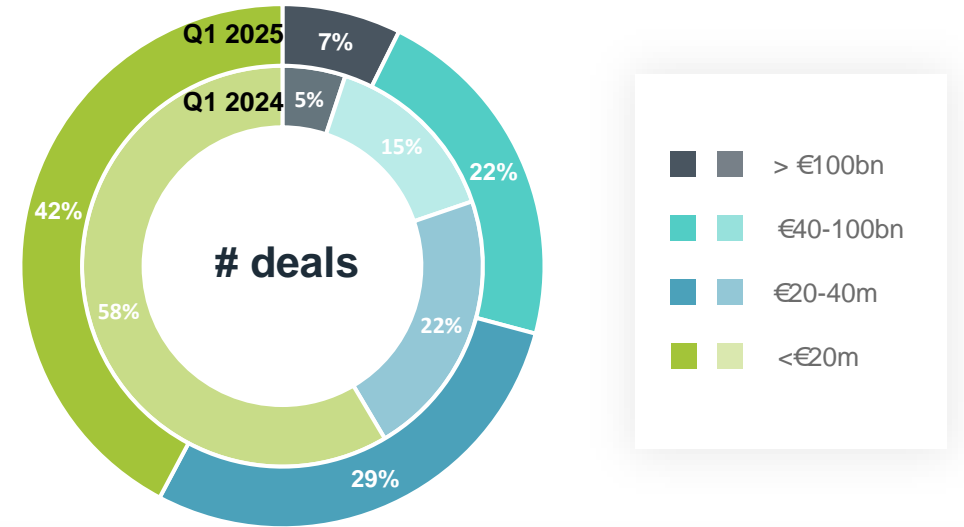
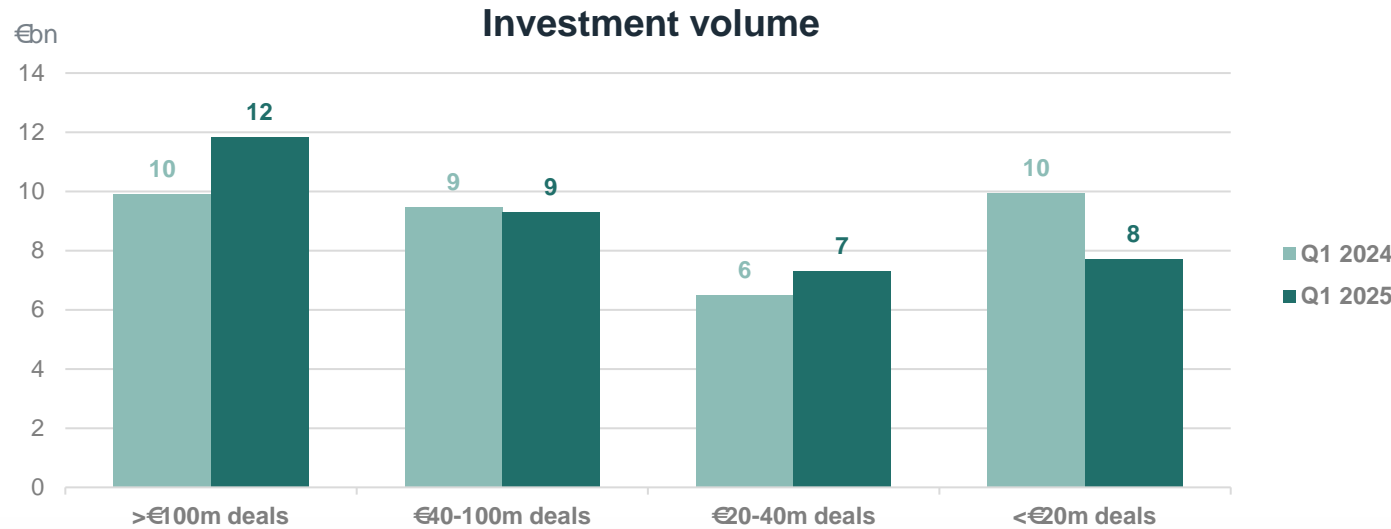
- **€36.2bn** were invested in Europe since the beginning of 2025, **equalling volume with Q1 2024**.
- The UK, France, and Germany collectively account for half of the market.
- Investment in **Germany** continues to improve with a gain of around 7%. France is also gaining momentum (+20%) reaching almost a quarterly figure of €4bn.
- The decline in the United Kingdom (-31%) reflected uncertainty about the macroeconomic situation.
- Nonetheless, most markets are growing, with fastest growth seen in Poland (+83%), Finland (+67%), Luxembourg (+135%), and Ireland (+361%).

(excludes residential investment)

Source : BNP Paribas Real Estate

INVESTMENT IN EUROPEAN COMMERCIAL REAL ESTATE

LARGE TRANSACTIONS ARE PICKING UP



- Since 2022, reduced mega deals volumes reflected demand shift toward lower-priced assets where financing is cheaper, easier to arrange and transactions quicker to conclude. With monetary policy taking almost two years to exit its tightening cycle, larger transactions have been slower to return. However, an improved debt environment has reopened the path for these.
- As of Q1 2025, large scale transactions are up +20% compared to Q1 2024, and likely to make more impact over the year as global investors enact new business plans in response to the changed financial situation. **In Q1 2025, mega deals (> €100m) dominate the market volume with a 33% share (28% in Q1 2024) and 7% in number of transactions.**
- Transactions in the **€40m to €100m band held** steady at 26% of the market volume (22% in number of deals). This segment has demonstrated the greatest stability in market share over time.
- Smaller scale deals (<€40m) in Q1 dropped back in volume and particularly in transaction numbers, where the market share decreased to 71% in Q1 2025 from 80% in Q1 2024. Much of the drop is attributable to reduced activity in the **<€20m deals segment, where investment volume is 22% lower compared to Q1 2024.**

This excludes residential investment.

CROSS-BORDER INVESTMENT IN EUROPE

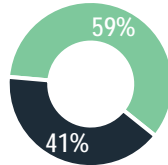
EUROPEAN FOREIGN CAPITAL LEADS THE WAY

- As of Q1 2025, foreign investment grew by +7% (vs Q1 2024) and represents a market share of 41%, slightly below the 5-year average at 45%. Except for American funds, foreign capital increased exposure to European markets.
- European cross-border volume experienced a growth of +33%** compared to Q1 2024 with a market share of 46% exceeding the 5-year average (43%). In the United Kingdom, Europeans emerged as the leading purchaser totalling €2 billion in Q1 2025.
- Focused interest from American investors last year lost steam in early 2025.** Notably in the UK, with a decrease of 69%, in France (-34%) and in the Netherlands (-76%). Still, some countries saw American capital grow with +82% in Germany and +102% in Italy.
- Volumes from **APAC grew by a surprising +75% to €1bn**, representing a market share of 7%, above Q1 2024 share of 4%. Mainly, it was the UK (€600m) and Spain (€300m) that benefited from this activity.
- Enthusiasm from **Middle East investors for Europe having decreased in 2024, is now reviving (+36% growth compared to Q1 2024).** Around 72% of allocations were focused on the UK with €500m (+ 310% increase).

€21.5bn

-3%
Vs Q1 2024

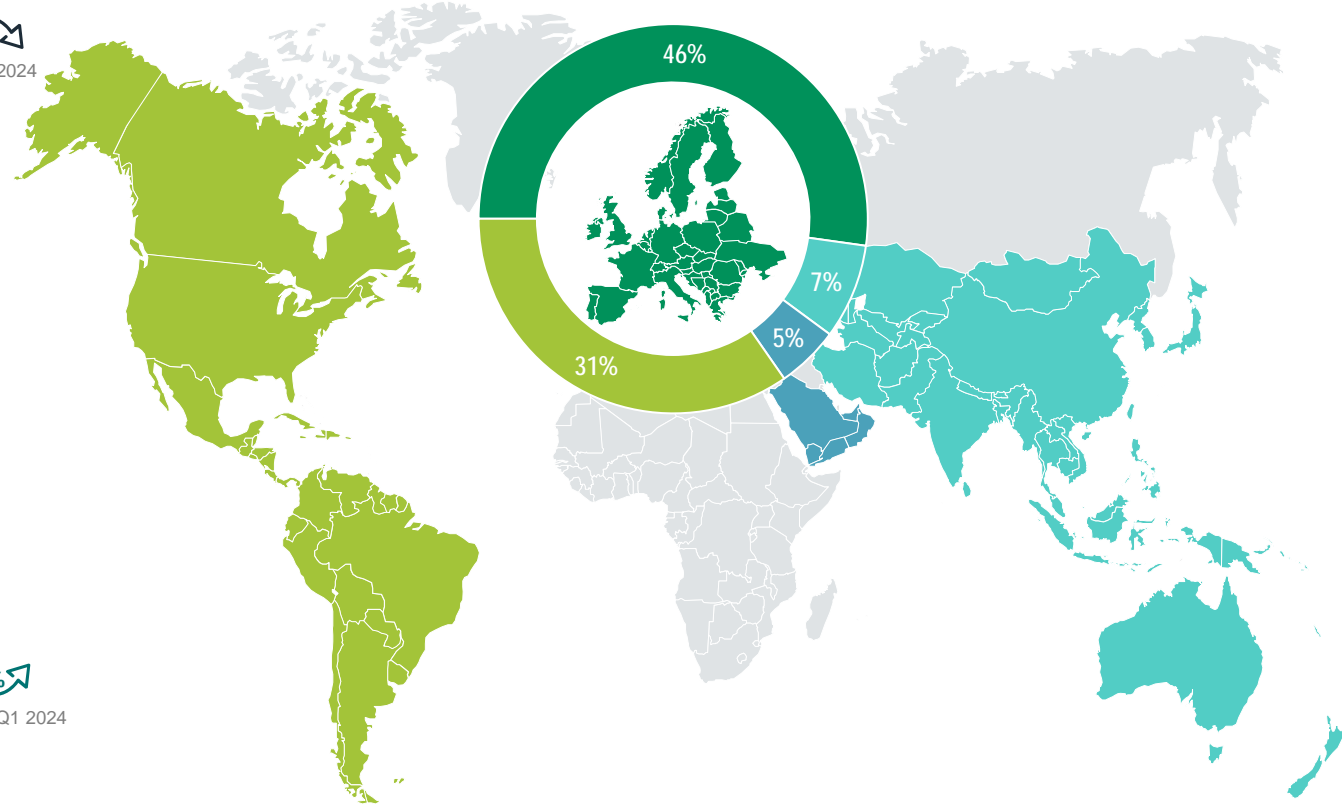
DOMESTIC INVESTMENT



CROSS-BORDER INVESTMENT

€14.7bn

+7%
Vs Q1 2024



EUROPE
€6.8BN +24%
vs Q1 2024

AMERICAS
€4.5BN -27%
vs Q1 2024

ASIA PACIFIC
€1.0BN +75%
vs Q1 2024

MIDDLE EAST
€700M +36%
vs Q1 2024

Investment as commercial real estate investment, which excludes residential investment.

This excludes residential investment.

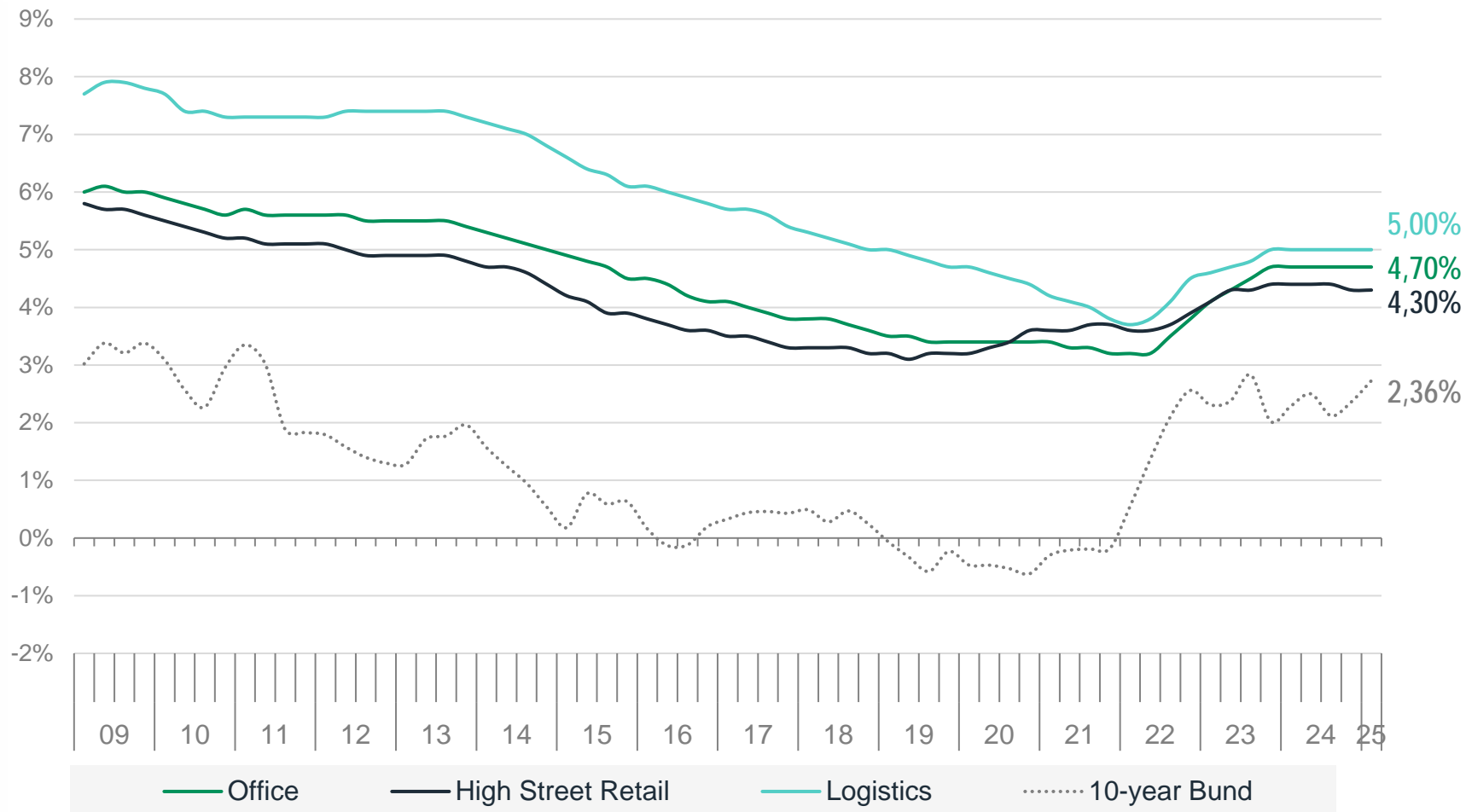
AVERAGE PRIME YIELDS IN EUROPE

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.** For over a year stability has been the watchword for yields: real estate is now on a new phase for pricing. Sporadic compression signals from some markets showed up in late 2024 and continued to emerge in the first months of this year.
- **Paris at 3.90% and London at 4.00% remain the lowest yielding market in Europe for offices** where interest will be strengthened for premium grade units and prime locations.
- **Retail locations are led by London (2.75%) and the German cities** with high street prime yields **below 4.00%**. This quarter, retail had more cities seeing some compression than any other asset.
- **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.



This excludes residential investment.

02.

REAL ESTATE PERSPECTIVES

OFFICE MARKETS

OFFICE MARKETS IN EUROPE

FLIGHT TO QUALITY BY TENANTS



TAKE-UP

Main markets

+8.0%

vs. Q1 2024

Demand for office space increased in early 2025 with some markets showing significant rebounds



PRIME RENTS

Main markets

+5.1%

vs. Q1 2024

Prime rents remain driven by high demand for top space in areas with low availability



NET AVERAGE RENTS

Main markets

+5.0%

vs. Q1 2024

Net average rents also show good momentum, although there are disparities between prime and secondary assets



VACANCY RATE

9.1% **+70 bps**

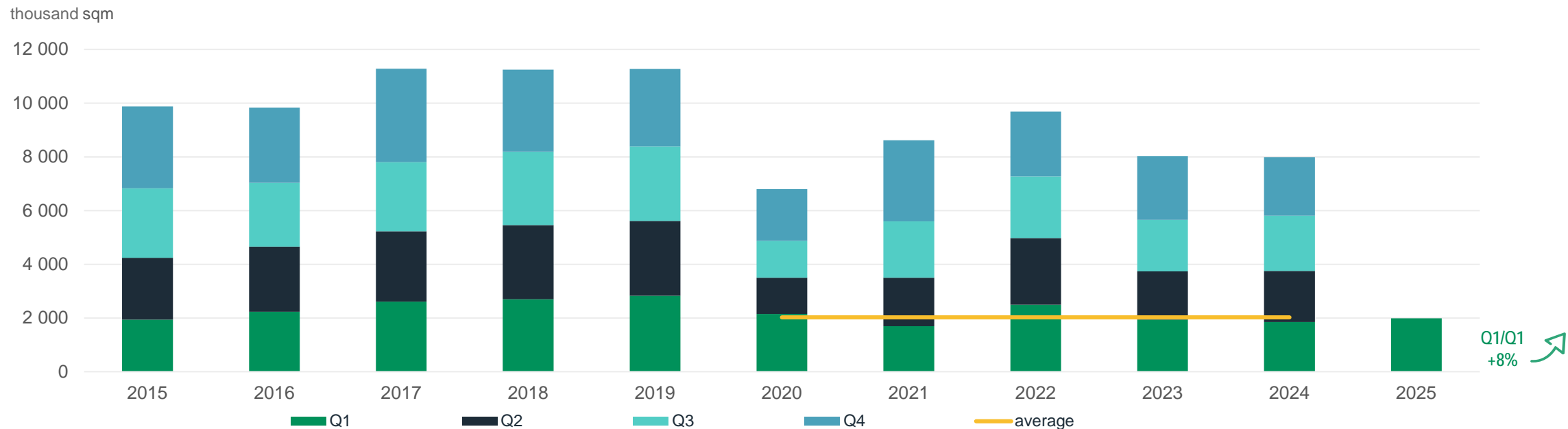
Q1 2025

vs. Q1 2024

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 EUROPE – 3-MONTH PERIOD

18 MAIN EUROPEAN OFFICE MARKETS *



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

An encouraging Q1

- Overall, Europe's take-up recorded its first Q1 increase (+8% compared to Q1 2024) since 2022. At city level, market take-up remains a situation of contrasts.
- Around 1.99 m sqm was transacted over the Q1 in the 18 main European markets.
- Some markets experienced significant rebounds including Cologne (+139%), Dublin (+87%), Frankfurt (+71%), Luxembourg (+64%), Hamburg (+37%), Warsaw (+36%), Central London (+30%), and Amsterdam (+29%).
- On the other hand, some markets faced sharp falls in volumes : Barcelona (-41%), Düsseldorf (-39%), Berlin (-29%), Brussels (-25%) and Lyon (-22%).
- The Q1 level is extremely close to the Q1 5-yr average (2m sqm).

Source : BNP Paribas Real Estate

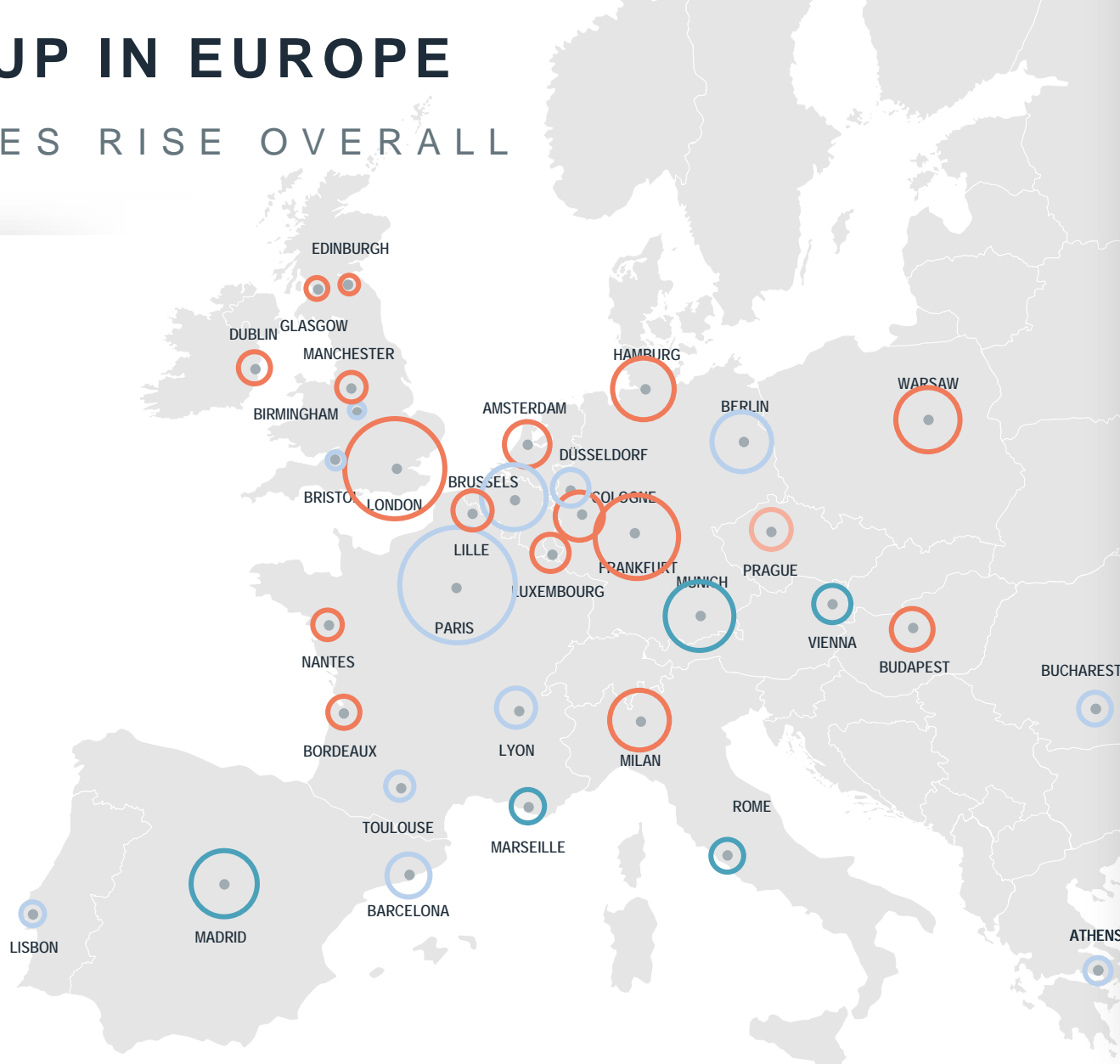
OFFICE TAKE-UP IN EUROPE

LETTING VOLUMES RISE OVERALL

Q1 2025 vs Q1 2024

	CENTRAL LONDON	+30%	
	BERLIN	-29%	
	CENTRAL PARIS	-6%	
	AMSTERDAM	+29%	
	MADRID	-5%	
	MILAN	+11%	
	WARSAW	+36%	
	BRUSSELS	-25%	
	DUBLIN	+87%	
	LUXEMBOURG	+64%	
	VIENNA	-4%	
	FRANKFURT	+71%	
	BARCELONA	-41%	

Deals in thousand sqm



EUROPE - Q1 2025
2.38m sqm 34 markets
 +4% vs. Q1 2024

Improvement still erratic

- Germany's take-up is 14% higher than in the previous year and in line with the 5-year average (+1%), despite the continued lack of economic momentum.
- Central London is driven by a strong rebound in submarkets such as West End (+81% y.o.y) and King's Cross (+76% y.o.y).
- Other markets show good resilience thanks to their favourable economic backdrop such as Madrid, Milan and Warsaw.

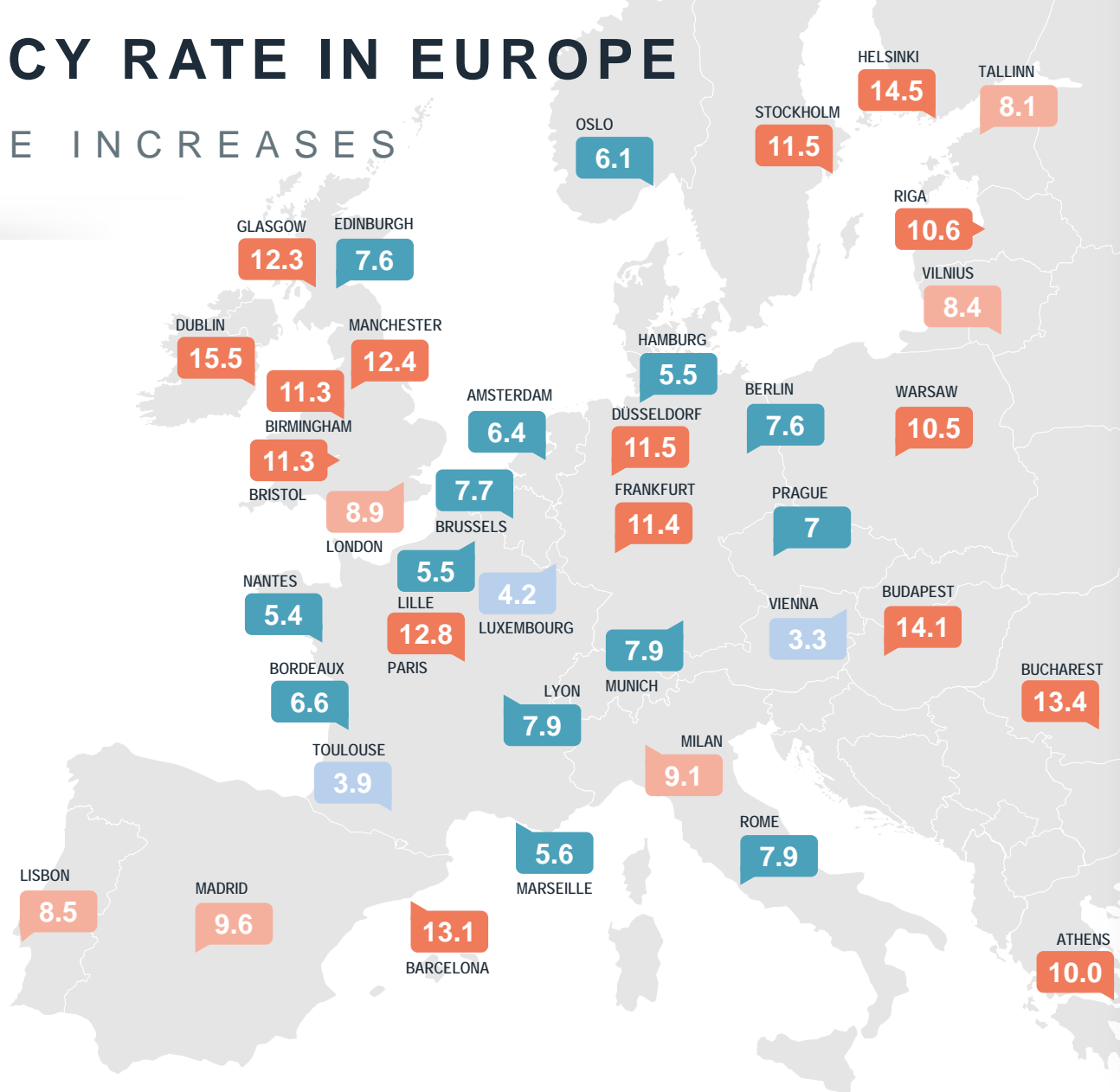
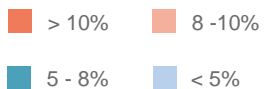
Source : BNP Paribas Real Estate

OFFICE VACANCY RATE IN EUROPE

AVAILABLE SPACE INCREASES

Q1 2025 vs Q1 2024

	CENTRAL LONDON	-70bp ↘
	BERLIN	+240bp ↗
	CENTRAL PARIS	+220bp ↗
	AMSTERDAM	-20bp ↘
	MADRID	-20bp ↘
	MILAN	-60bp ↘
	WARSAW	-50bp ↘
	BRUSSELS	+60bp ↗
	DUBLIN	+100bp ↗
	LUXEMBOURG	↔
	VIENNA	-20bp ↘
	FRANKFURT	+170bp ↗
	BARCELONA	+100bp ↗
	STOCKHOLM	+260bp ↗
	HELSINKI	-100bp ↘



EUROPE - Q1 2025

9.1% 35 markets
+70bp vs. Q1 2024

- Vacancy rates in European markets have increased overall. That can be explained by negative net absorption.
- 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 Central Paris (788,000 sqm completed in 2024, +60% vs 2023) and Munich which saw in Q1 2025 its highest level of completions since early 2023.

Source : BNP Paribas Real Estate

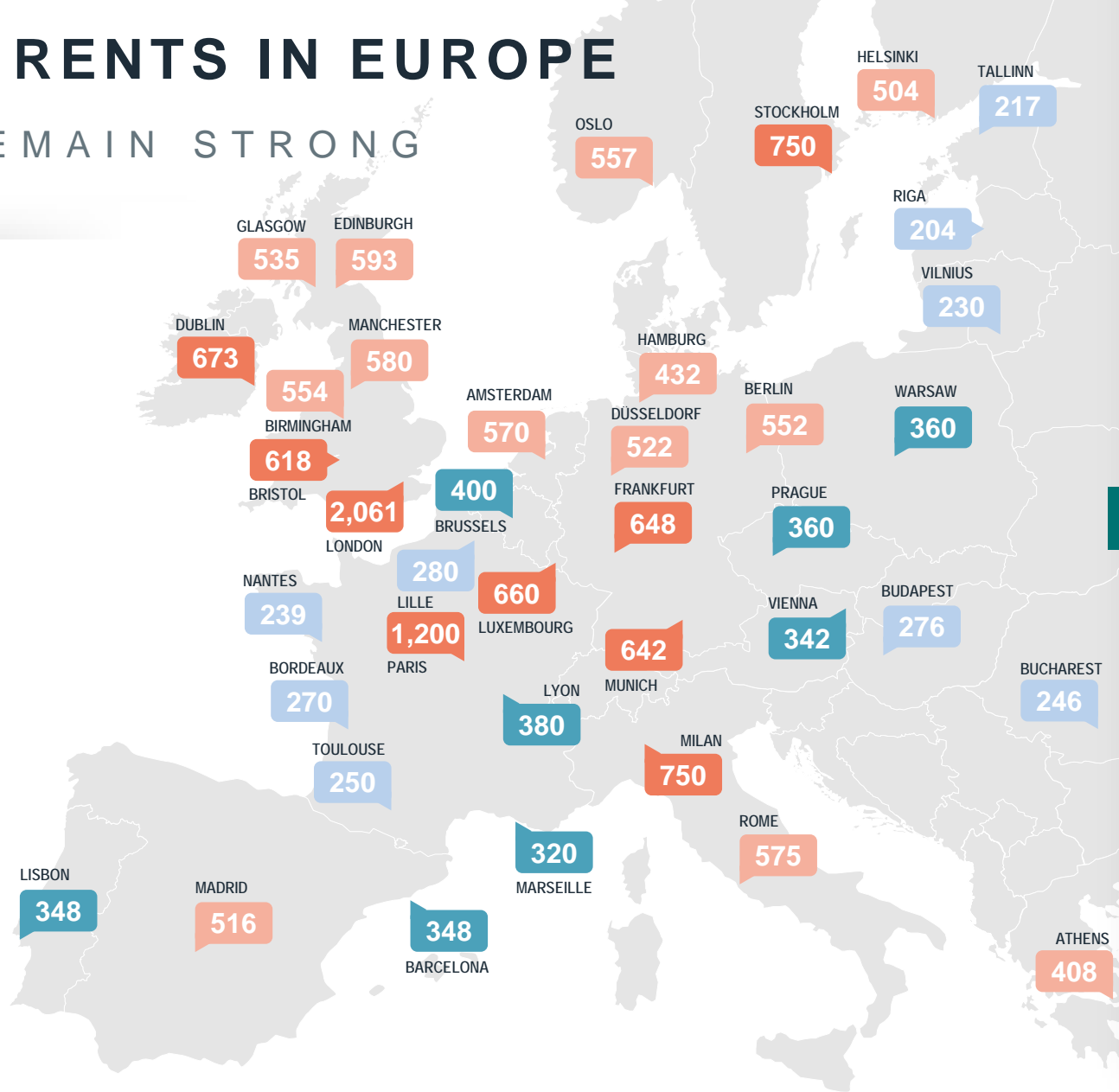
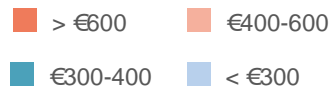
OFFICE PRIME RENTS IN EUROPE

PRIME RENTS REMAIN STRONG

Q1 2025 vs Q1 2024

	CENTRAL LONDON	+3%
	BERLIN	+2%
	CENTRAL PARIS	+12%
	AMSTERDAM	+4%
	MADRID	+5%
	MILAN	+7%
	WARSAW	=
	BRUSSELS	+14%
	DUBLIN	=
	LUXEMBOURG	=
	VIENNA	+2%
	FRANKFURT	+10%
	BARCELONA	+1%

Rents (€/sqm/year)



EUROPE - Q1 2025

+4.2% vs. Q1 2024
41 markets

The best locations secure prime rents at high levels

- The scarce supply of Grade A properties, along with the demand for high-quality buildings in prime locations, continues to push property values higher.
- The rise in prime rents of the main European markets is expanding slightly quicker (+5.1% vs Q1 2024).
- The flight to centrality remains the norm. 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

STRONG MARKET DISPARITIES ACROSS EUROPE

Q1 2025



TAKE-UP*

+0%

vs. Q1 2024

Below its 5-year average,
the market is sluggish



PRIME RENTS

+2%

over 1 year

+1%

Last quarter

Market slowdown is easing the
pressure on rental growth



INVESTMENT

-8%

vs. Q1 2024

Moderate investment
activity after a strong end to
2024



PRIME YIELDS

+130 bps

Since Q1 2022

+2 bps

Last quarter

Yield correction is complete in most countries,
providing a more stable environment.

* Warehouses above 5,000 sqm
(France, Germany, Netherlands,
Poland, Spain, United Kingdom)

LOGISTICS OCCUPIER MARKET IN EUROPE

TAKE-UP IN 6 COUNTRIES: +0% (Q1 2025 VS Q1 2024)

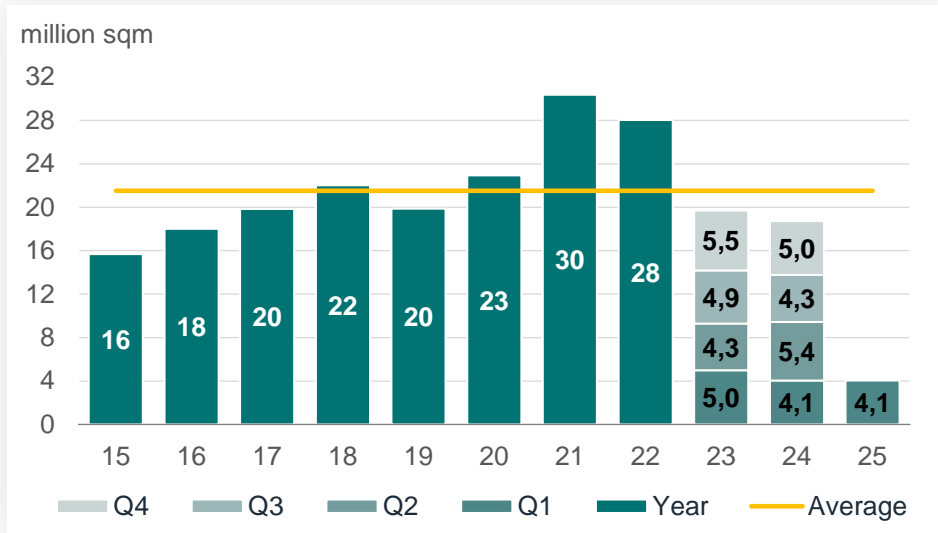
BELOW ITS 5-YEAR AVERAGE, THE MARKET IS STILL SLUGGISH

- **Over Q1 2025, the market remained stable at a low level** in the leading European markets compared to Q1 2024. In a context of slow economic activity and strong political uncertainties, there are great disparities within Europe.
- Take-up in **Spain** posted more than 50% above its 10-year average whilst **Germany** has been showing some positive signs even though activity remained moderate. In **France**, activity has been slow, but Paris rebounded sharply after a slow two years.
- In the **Netherlands**, the market was subdued by a lack of new developments. In the **UK**,

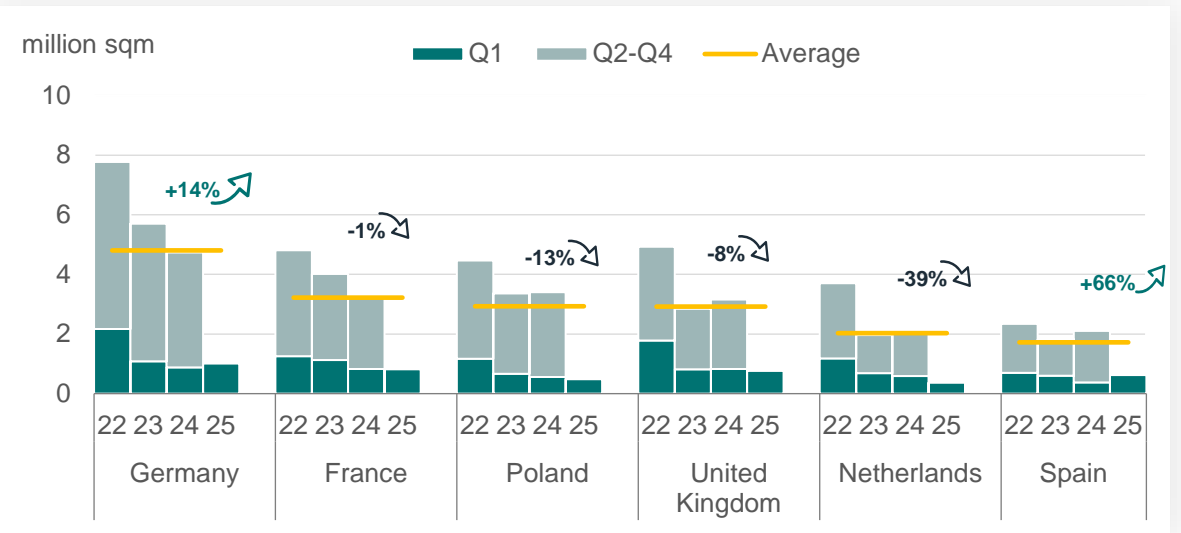
despite a slow activity in Q1 demand seems to be picking up and points to positive signs for Q2.

- **The risk of oversupply remains limited** even though vacancy rates have been increasing in some markets. Overall, these remain relatively moderate at around 5% on average in Europe.
- The strong rental growth of recent years has faded to a slower pace, +2.2% (y-o-y) during Q1 2025.

Take-up* warehouses above 5,000 sqm



Q1 2025 vs Q1 2024



Source: BNP Paribas Real Estate Research

LOGISTICS PRIME RENTS

MODERATE RENTAL GROWTH AT +2%

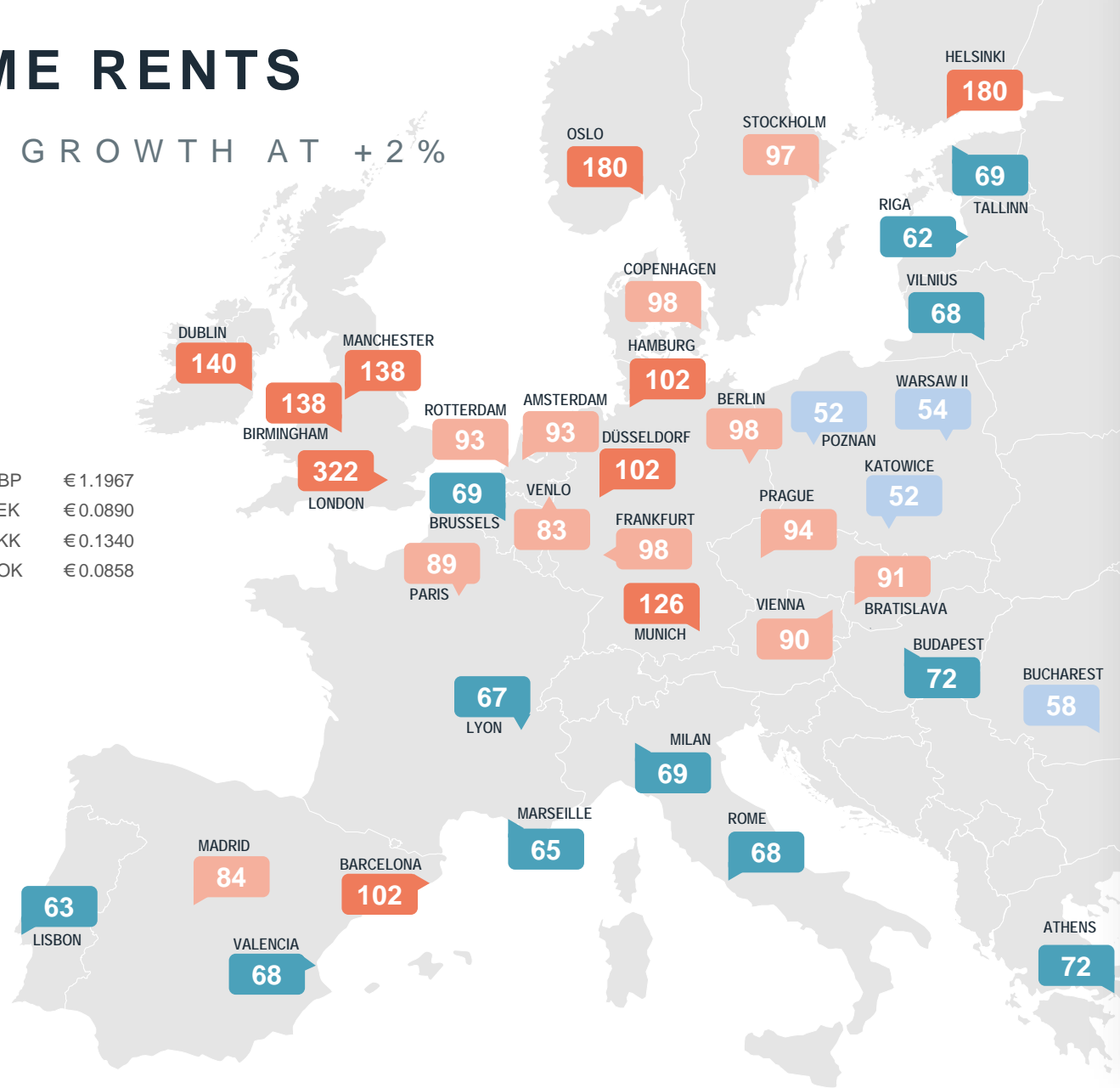
Q1 2025 vs Q1 2024

	FRANKFURT	+4%	
	BERLIN	=	
	LONDON	=	
	BIRMINGHAM	+2%	
	PARIS	+19%	
	VENLO	+10%	
	MADRID	+8%	
	BARCELONA	+6%	
	WARSAW II	=	
	PRAGUE	+1%	
	MILAN	+3%	
	STOCKHOLM	+3%	
	OSLO	=	

1 GBP € 1.1967
 1 SEK € 0.0890
 1 DKK € 0.1340
 1 NOK € 0.0858

Rents in €/sqm/yr

	≥ €100		€60-80
	€80-100		≤ €60

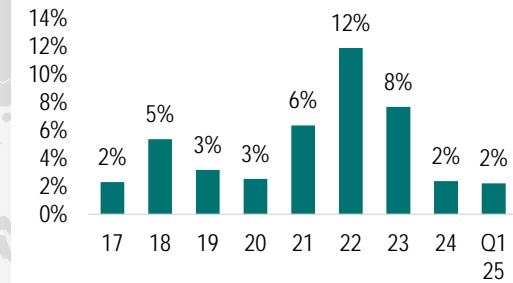


EUROPE Q1 2025
46 markets, 22 countries

+2.2%
vs Q1 2024

+1.0%
vs last quarter

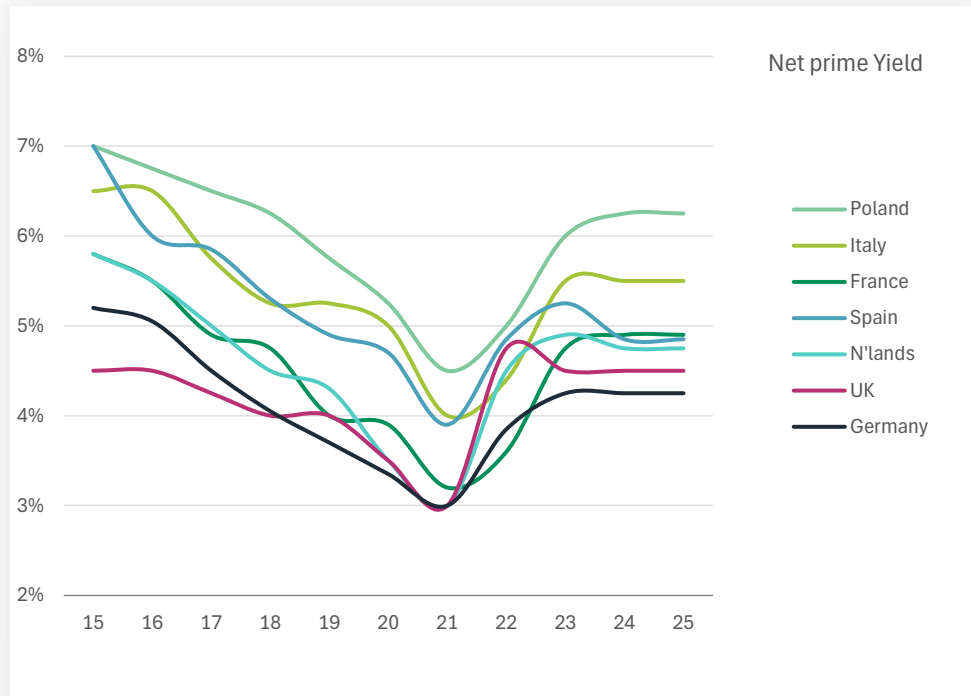
Rental growth (year-on-year)



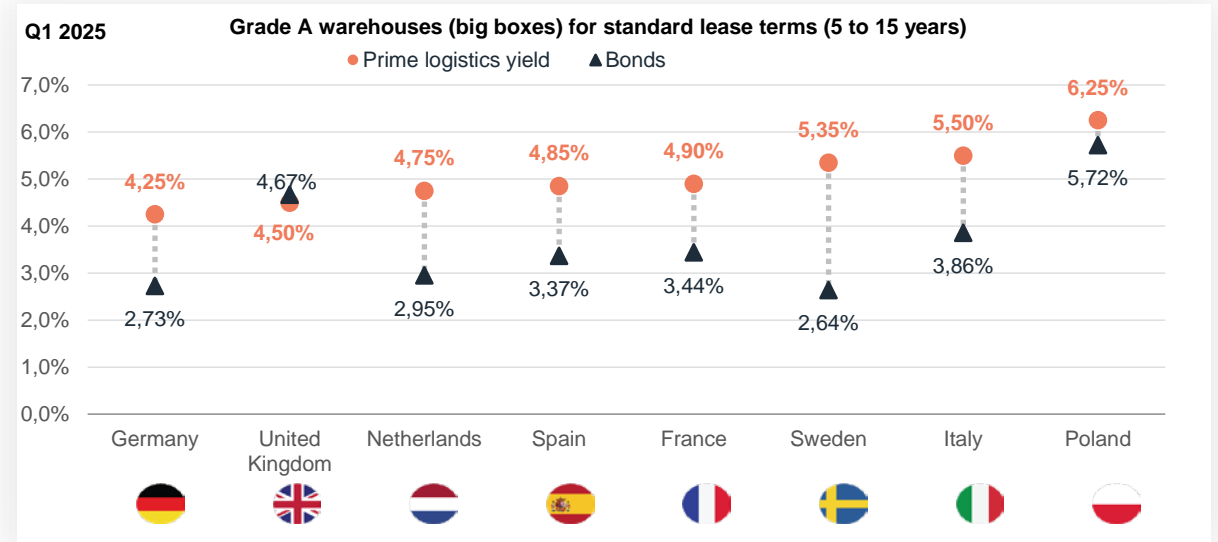
Source : BNP Paribas Real Estate Research

NET PRIME YIELDS IN EUROPE

STABILISATION IN Q1 2025



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



Logistics prime yields stabilised in Europe

- Logistics prime yield expansion over the past two years has ceased with moderating inflationary pressure and long-term government bond yields hitting a ceiling.

- Over the past twelve months, prime yields have adjusted gradually towards stabilisation in all European countries (+2bps y-o-y). They even decreased by 2 bps over the last quarter in Europe.

Source: BNP Paribas Real Estate Research

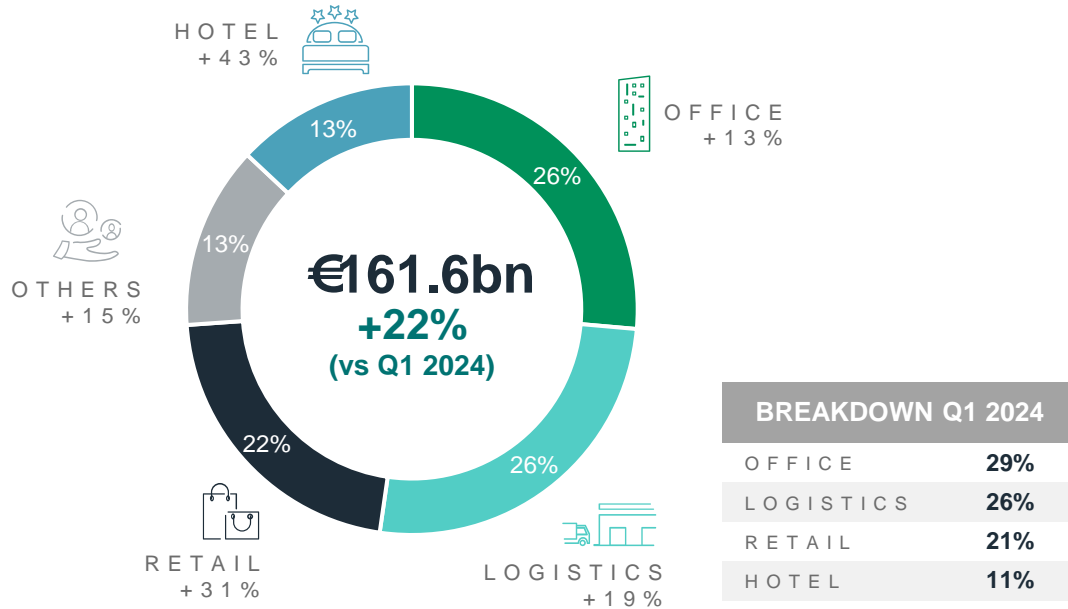
02.

REAL ESTATE PERSPECTIVES

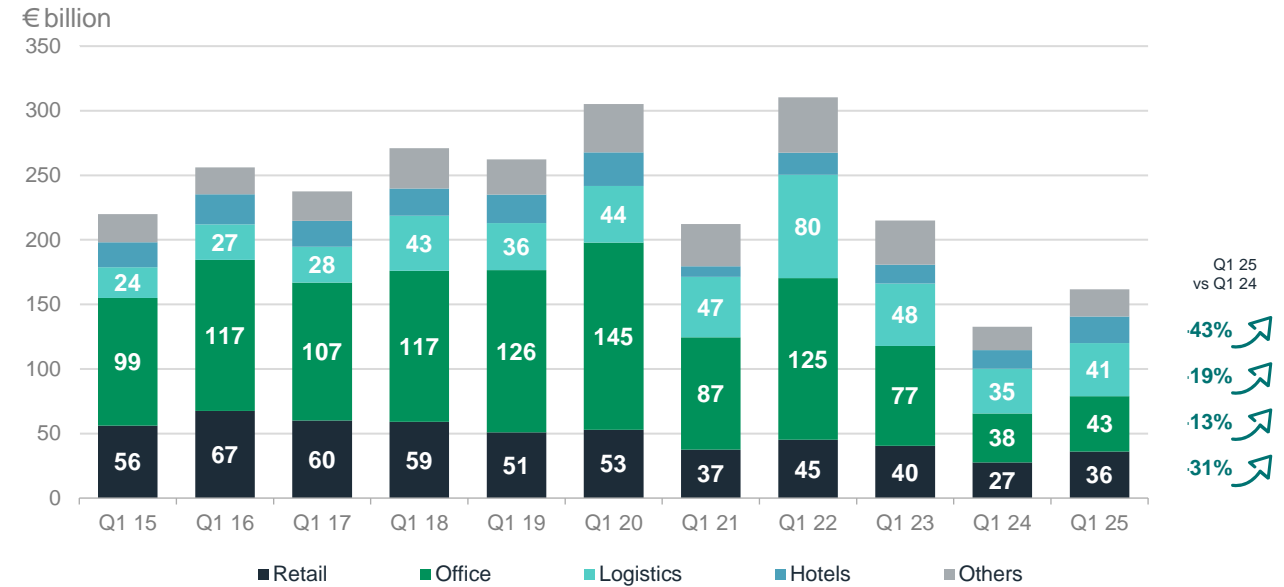
RETAIL MARKETS

RECOVERY IN THE MAKING

CRE Investment – Q1 2025 – rolling year



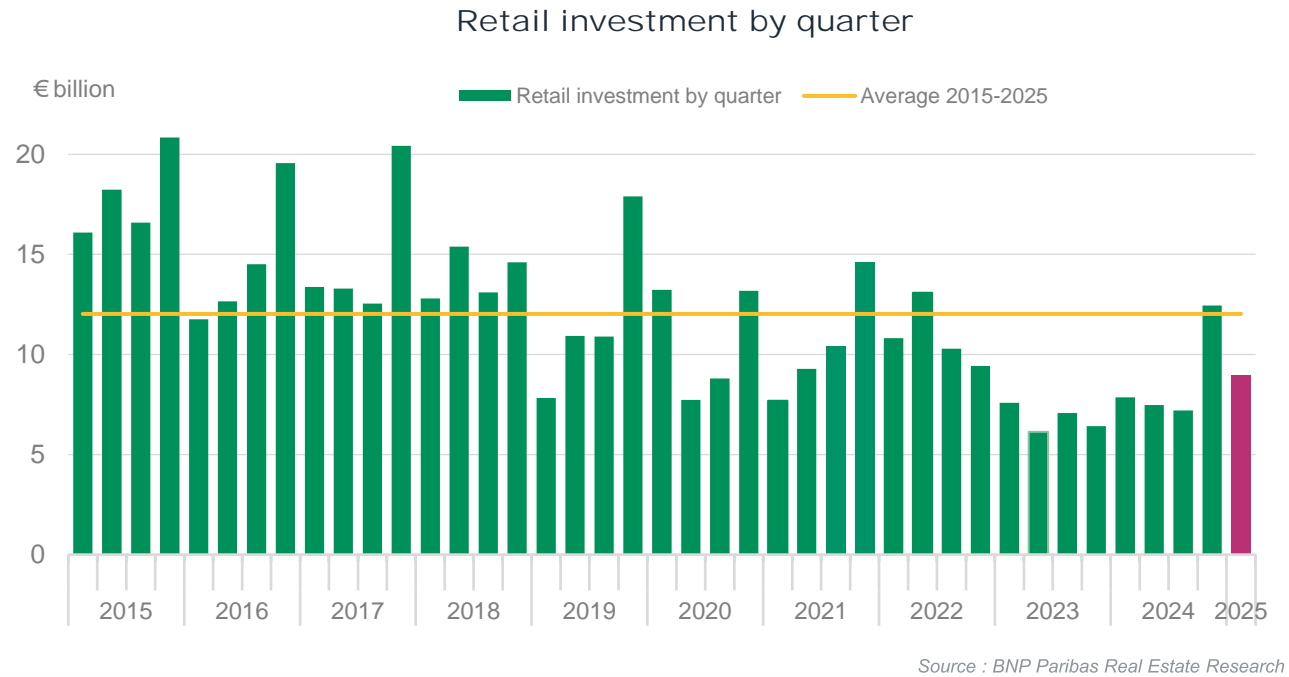
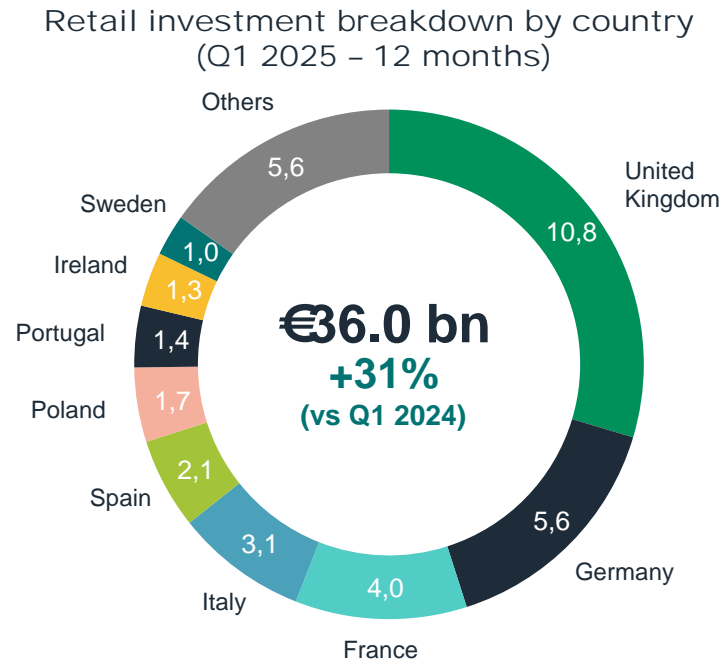
CRE Investment – 2015-2025
(rolling year)



Source : BNP Paribas Real Estate Research

- European commercial real estate investment recorded an increase of 22% in volumes compared to last year. The easing rate of fallback suggests mid-2024 was the bottom for the CRE investment market following the crash triggered by inflationary shock. Central banks have reduced key lending rates which is making monetary policy more accommodating to real estate, and in turn encouraging a reactivation of investment.
- **Hotels** showed extremely good momentum (+43% vs Q1 2024 with €14bn invested over the past 12 months) with an increasing interest as global tourism returns to pre-pandemic levels.
- **Retail** experienced the second strongest rebound with +31% compared to last year.
- **Logistics** volumes improved by 19% vs Q1 2024 while **Offices** returned to positive territory (+12%).

INVESTORS AIMING TO CAPTURE VALUE IN RETAIL

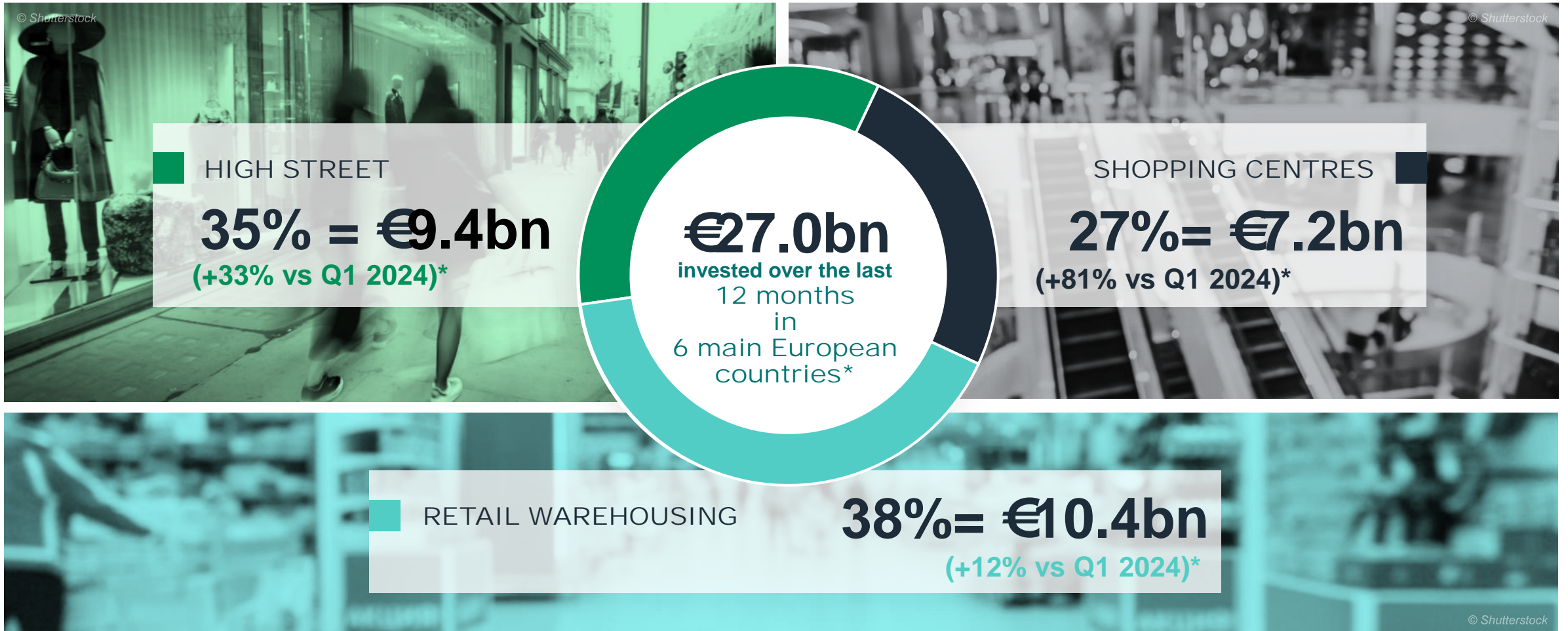


- **Retail** recorded an increase of 31% in investment volume over the past 12 months.
- Investors show **most confidence** in the core markets, as Germany and the UK captured almost half of **transaction volume**.
- In some countries, over the past 12 months, **retail has been one of the most traded commercial asset classes**. In Germany, investors allocated almost as much capital in retail (21%) as in logistics (26%) and offices (23%). In Spain, the retail sector is still the second biggest sector after hotels with 23% of the total. In Italy, the retail sector is the biggest one with 31% of investment volumes, exceeding office allocation which has 23% of the total.

Source: BNP Paribas Real Estate Research.

RETAIL INVESTMENT BY ASSET CLASS – Q1 2025

ALL SUB-SECTORS 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.

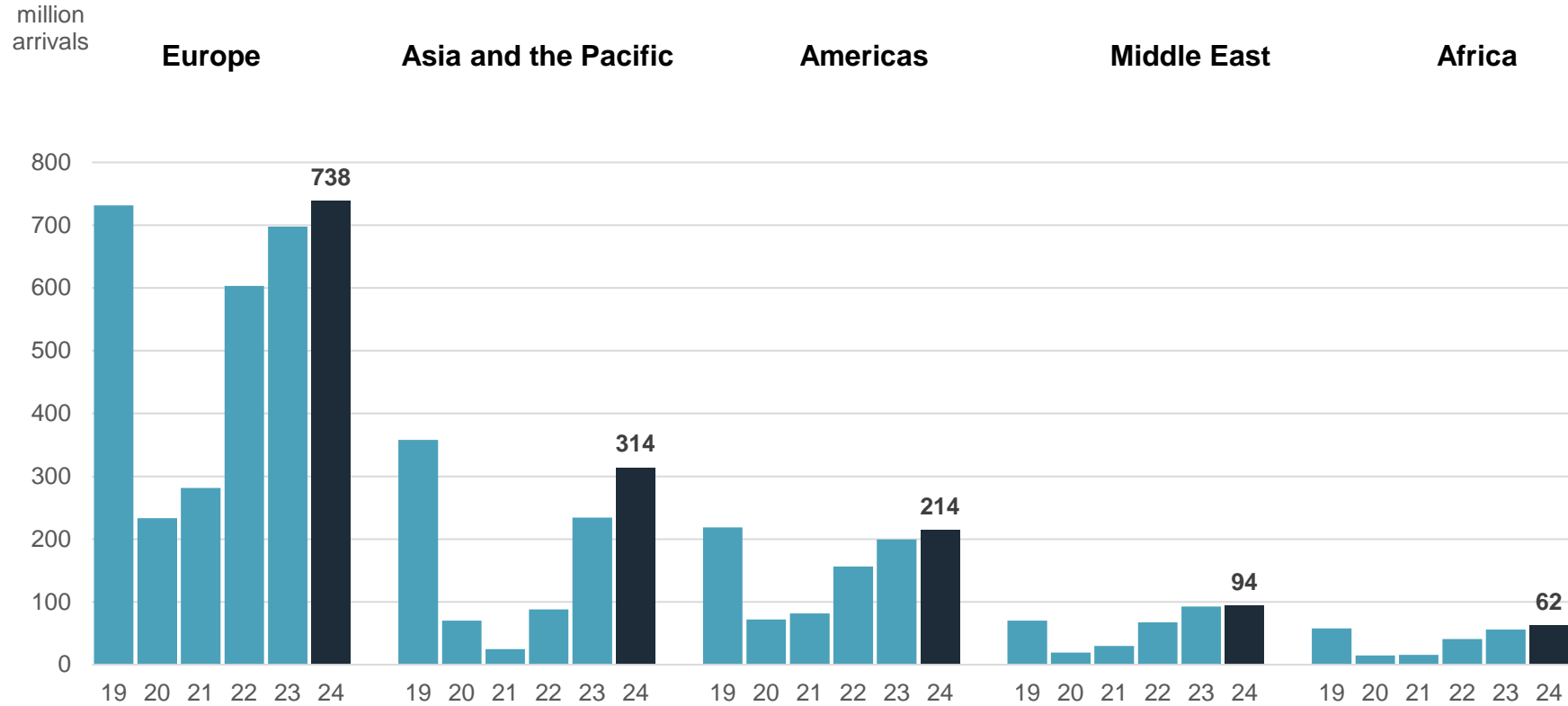
02.

REAL ESTATE PERSPECTIVES

HOTEL MARKETS

INTERNATIONAL TOURIST ARRIVALS

ON TRACK TO EXCEED PRE-PANDEMIC LEVELS



International tourists are travelling again

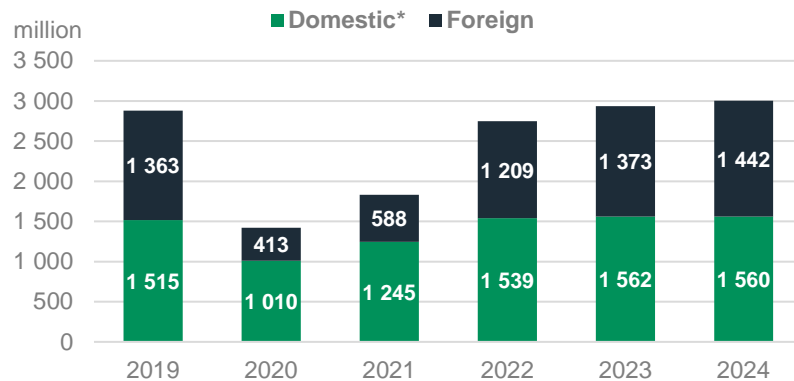
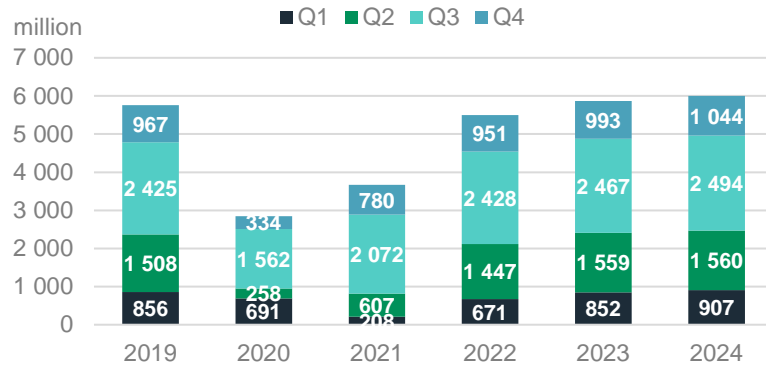
- The Middle East records the strongest growth (+34% of tourist arrivals in 2024 compared to 2019)
- APAC is the last region to recover, with -12% of 2019 international tourist volumes.
- Performance across Europe varies. Southern/ Mediterranean Europe surpassed its 2019 levels while Central/Eastern Europe continues to suffer from the Ukrainian conflict.

Sources: UN Tourism, BNP Paribas Real Estate Research

TOP DESTINATIONS IN EUROPE

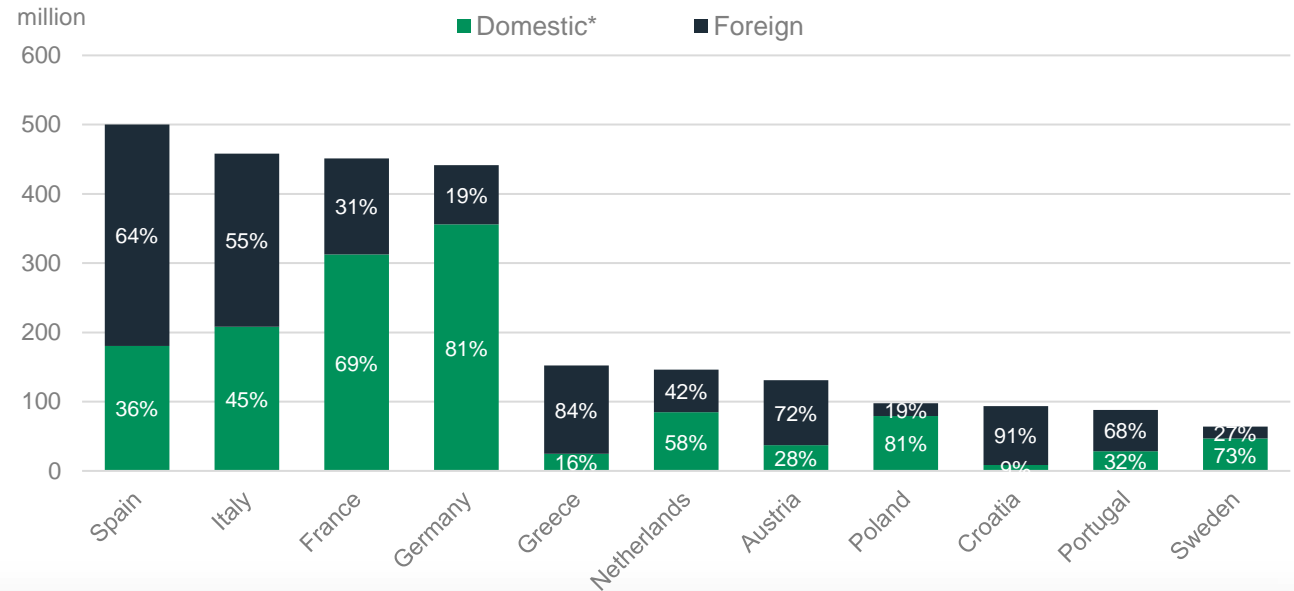
SLIGHTLY ABOVE 2019 LEVELS

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



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

- Nights spent increased by +2% in 2024 (vs 2023)
- International tourism is particularly strong in Spain and Italy, whilst domestic tourism is predominant in Germany and Poland

Sources: Eurostat, BNP Paribas Real Estate Research

02.

REAL ESTATE PERSPECTIVES

RESIDENTIAL MARKETS

RESIDENTIAL INVESTMENT VOLUME

ACTIVITY PICKS UP



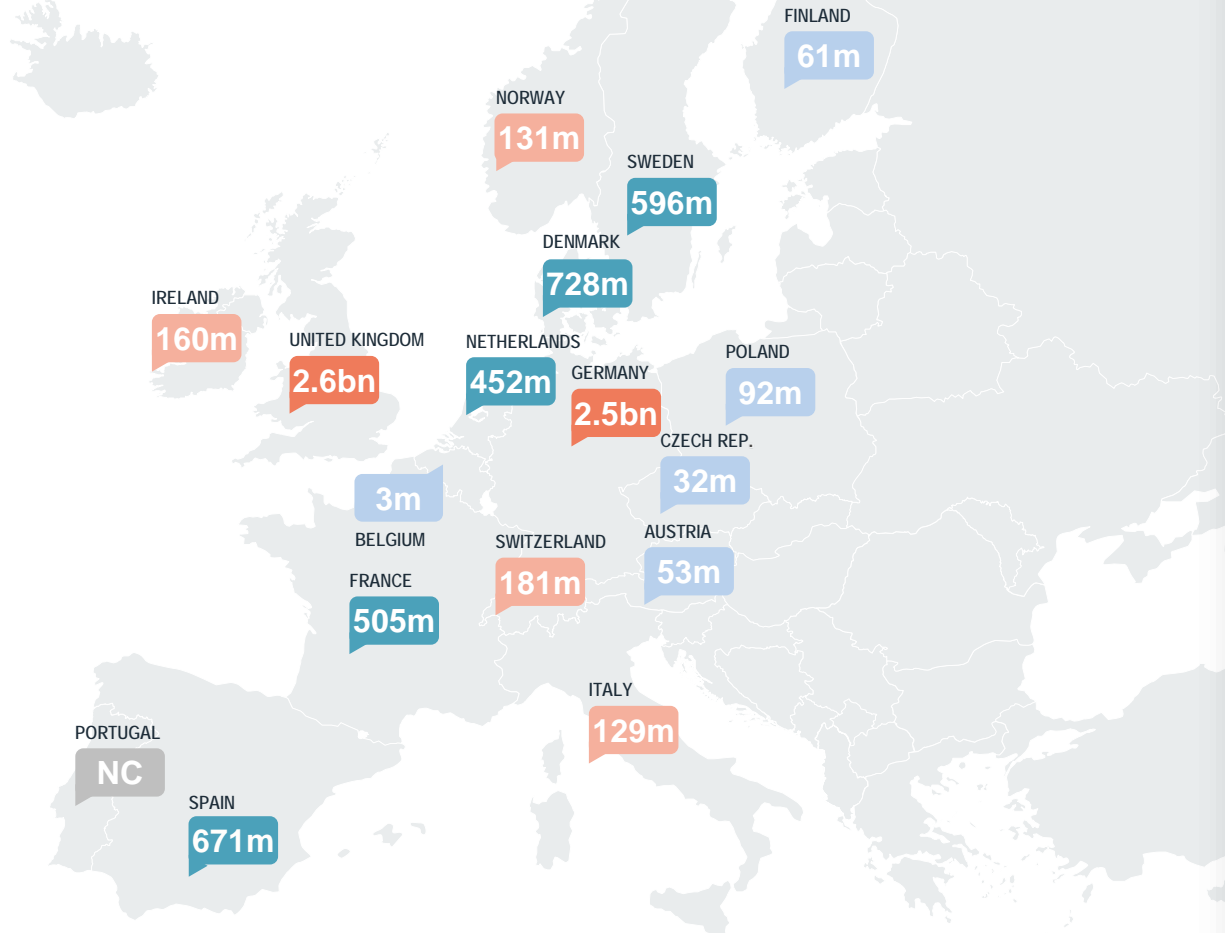
EUROPE - Q1 2025

+31% vs. Q1 2024

Q1 2025 vs Q1 2024

	GERMANY	+227% ↗
	UNITED KINGDOM	+19% ↗
	FRANCE	-39% ↘
	NETHERLANDS	-5% ↘
	ITALY	+244% ↗
	SPAIN	+59% ↗
	POLAND	+148% ↗
	DENMARK	+138% ↗
	SWEDEN	+48% ↗

	> €2bn		€400m - €2bn
	€100m - €400m		< €100m



- ❖ Residential investment volume in Europe reached €8.9bn in Q1 2025, up 31%, despite a decrease in the number of transactions vs the same period last year.
- ❖ 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.
- ❖ However, there are two headwinds that face this sector as an investible asset class. The first is rental market regulation that is not consistent across Europe. Some countries are far more aggressive in this area than others and can deter investment deployment. The second is one of stock where there is a lack of portfolios that enable investors to buy a scale.
- ❖ Nevertheless, even with these obstacles, the residential segment remains the most targeted according to INREV's Investor Intentions survey.

Source: BNP Paribas Real Estate Research

RESIDENTIAL PRICE IN EUROPE (€/SQM/YR)

HOUSE PRICES CONTINUE TO RISE



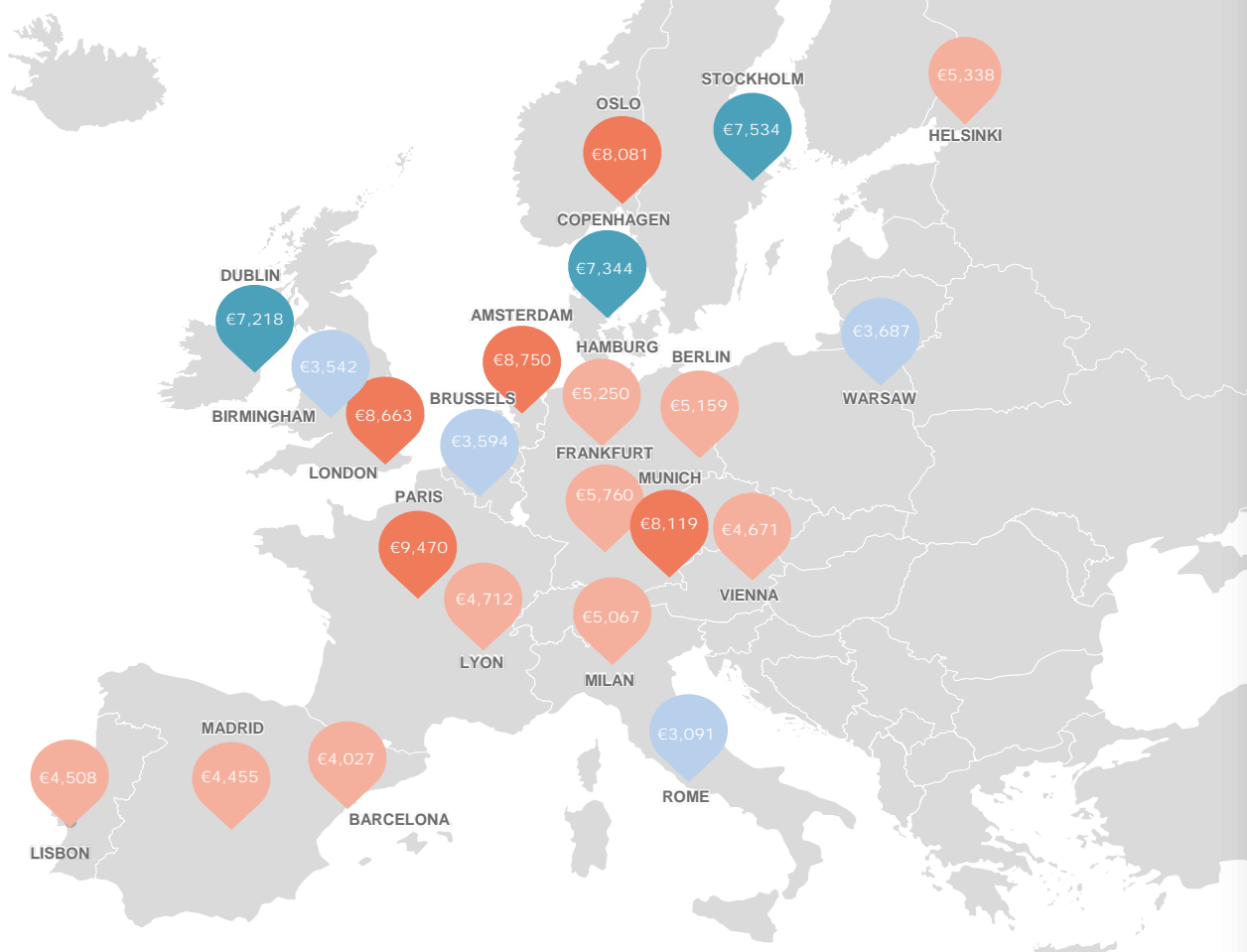
EUROPE - Q4 2024

+5.3% vs. Q4 2023

Q4 2024 vs Q4 2023

	BERLIN	+1%	↗
	MUNICH	+2%	↗
	FRANKFURT	+2%	↗
	DUBLIN	+9%	↗
	LONDON	-1%	↘
	PARIS	-3%	↘
	AMSTERDAM	+1%	↗
	MADRID	+16%	↗
	BARCELONA	+10%	↗
	WARSAW	+15%	↗
	MILAN	+2%	↗
	COPENHAGEN	+9%	↗
	BRUSSELS	+4%	↗

	≥ €8,000		€6,000-8,000
	€4,000-6,000		≤ €4,000



- ❖ House prices across European cities are expanding on aggregate at +5.3% in Q4 2024 vs Q4 2023.
- ❖ Compared to Q4 2023, the 4 cities experiencing double digit growth included Valencia (+45%), Madrid (+16%), Warsaw (+15%) and Barcelona (+10%).
- ❖ High growth also occurred in Dublin and Copenhagen (+9%), Manchester (+8%), and Stockholm (+7%).
- ❖ In Q4 2024, house prices continued to fall in Lyon (-6% y/y), Paris (-3% y/y), London (-1% y/y). All other markets show positive signs of price stability (lower growth at around 0%) or growth up to 5%.
- ❖ House prices reached historic highs in 9 cities including Barcelona, Copenhagen, Dublin, Lisbon, Madrid, Manchester, Milan, Valencia, and Warsaw in Q4 2024.

Sources: BNP Paribas Real Estate Research

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

RENTS HIT NEW RECORD HIGHS IN MOST MARKETS



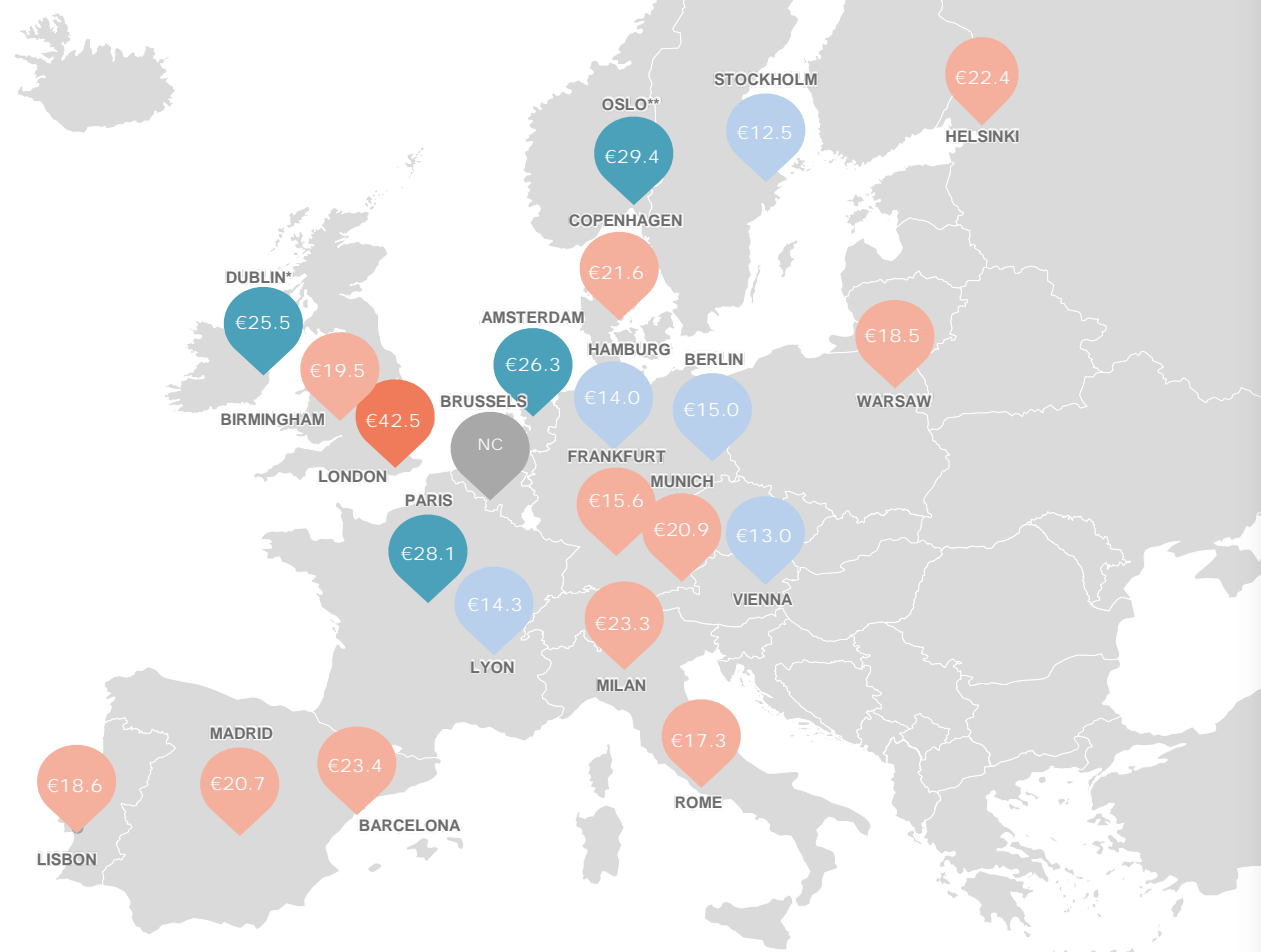
EUROPE - Q4 2024

+4.2% vs. Q4 2023

Q4 2024 vs Q4 2023

	BERLIN	+5%	↗
	MUNICH	+4%	↗
	FRANKFURT	+7%	↗
	DUBLIN*	+7%	↗
	LONDON	+11%	↗
	PARIS	+1%	↗
	AMSTERDAM	-4%	↘
	MADRID	+15%	↗
	BARCELONA	+14%	↗
	WARSAW	+2%	↗
	MILAN	+2%	↗
	COPENHAGEN	+2%	↗
	HELSINKI	+1%	↗

	≥ €35		€25-35
	€15-25		≤ €15



- ❖ Residential rental values across European markets were still expanding in Q4 2024 at +4.2% y/y.
- ❖ Demand in the rental market continues to rise despite high rental values. Several factors explain this: 1) higher cost of purchase prices 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 occurred in 5 of the 31 markets: Rome (+17% y/y), Madrid (+15% y/y), Barcelona (+14% y/y), and London (+11% y/y).
- ❖ Rents are rising at a slower pace but still rising to hit a new high in Valencia (+10% y/y), Vienna (+4% y/y), Copenhagen and Milan (+2% y/y).
- ❖ In contrast, rents fell in Manchester (-7% y/y), Amsterdam (-4% y/y), Birmingham (-3% y/y) and Lisbon (-2% y/y).

Sources: BNP Paribas Real Estate Research

*Q1 2024 value
**Q2 2024 value

02.

REAL ESTATE PERSPECTIVES

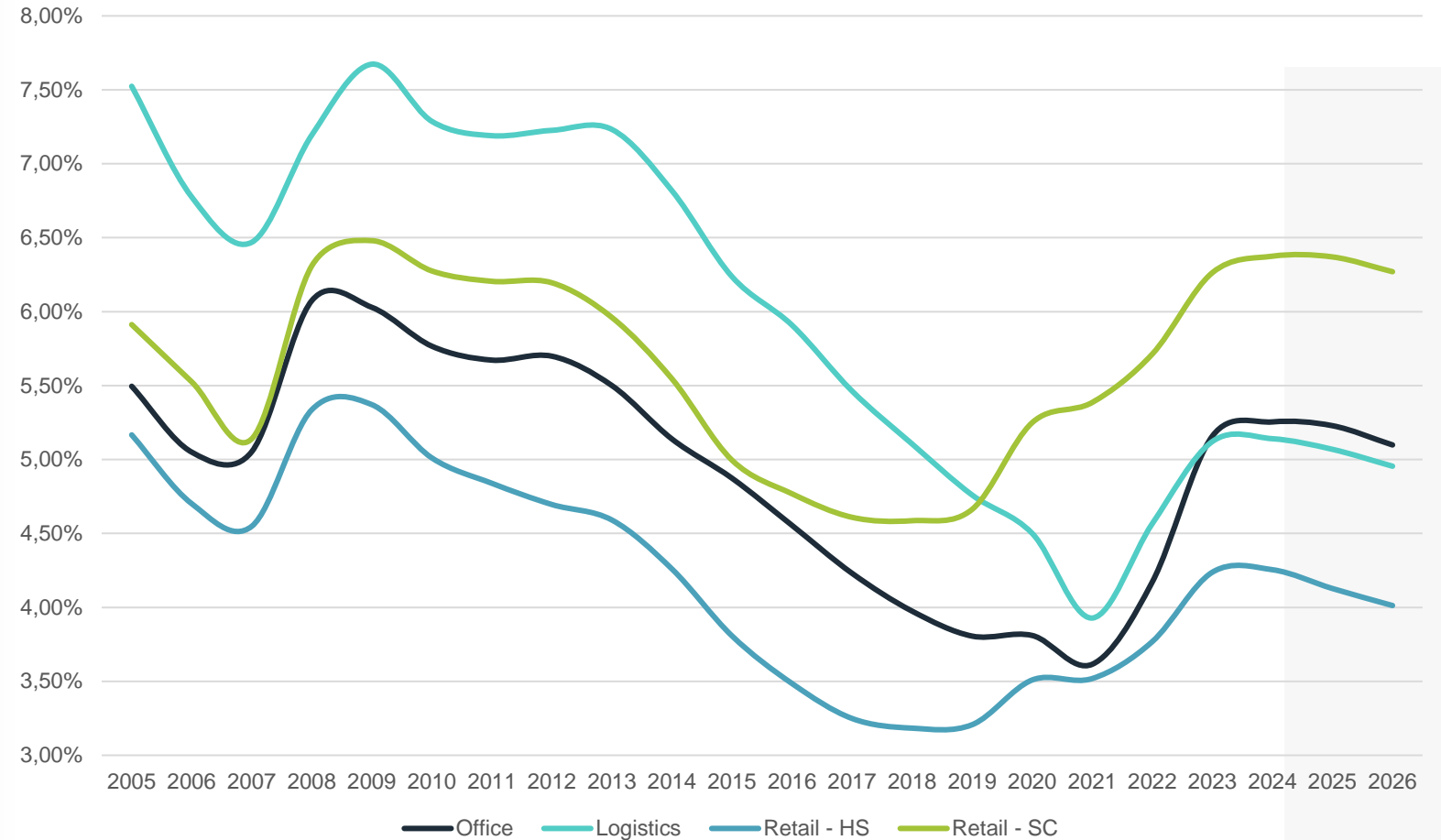
HOUSEVIEW

AVERAGE PRIME YIELDS IN EUROPE

BASED ON 16 MARKETS

A Cautious Compression in Yields Emerges

- Despite global uncertainty, inflation continues to fall in most European countries, while economic growth remains anemic. This means both the European Central Bank (ECB) and Bank of England (BoE) will continue to ease policy rates in 2025.
- For both Central Banks 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 government bond yields will remain elevated. At the same time, the cost of debt as determined by swap rates have continued to fall on the back of anticipated cuts in policy rates. This dichotomy in the direction of key interest rates means real estate yields are likely to compress at a much slower rate than anticipated.
- However, for Grade A assets with strong fundamentals, such as good location and rental growth potential, a more meaningful in yields during 2025 can not be ruled out.



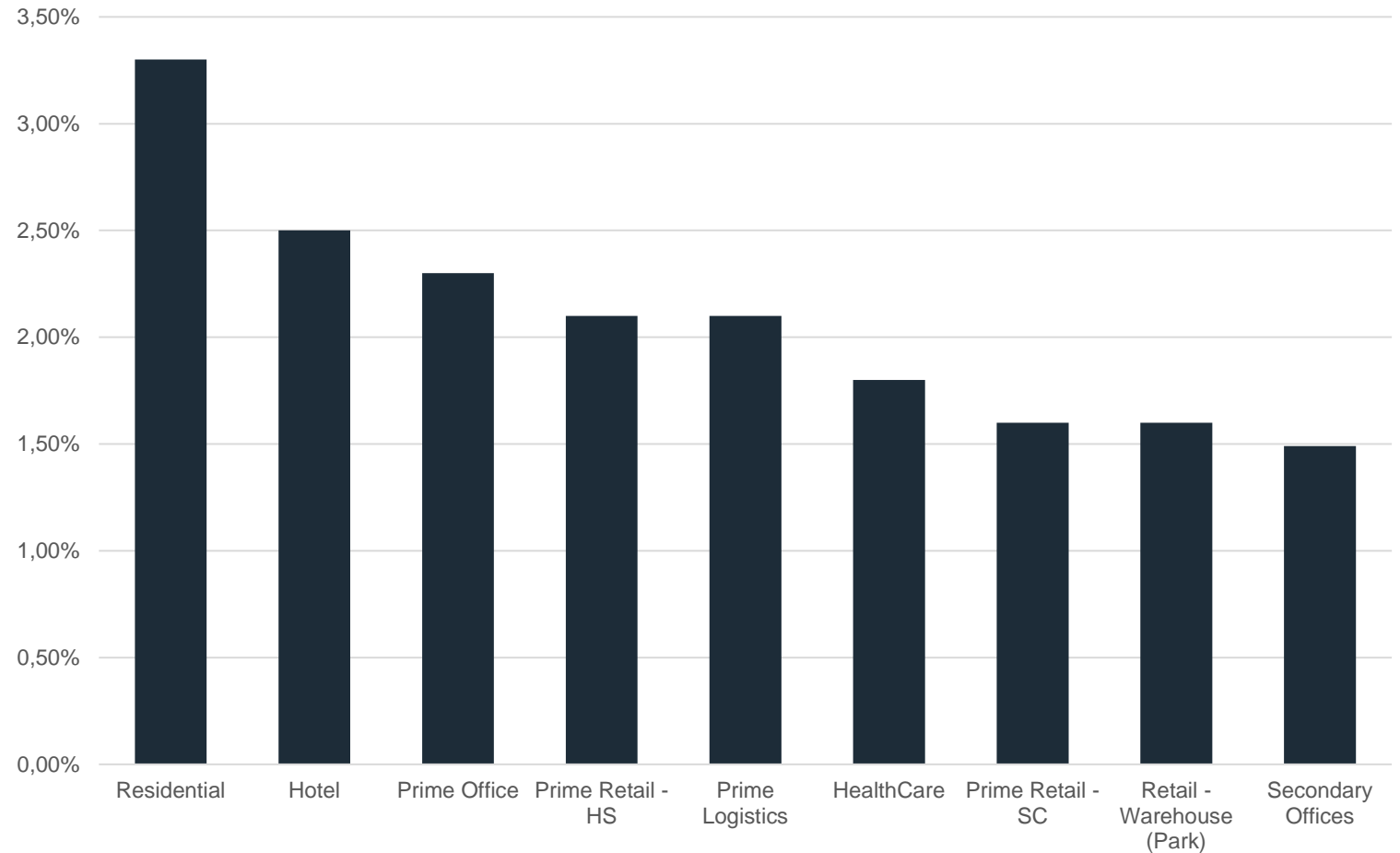
Source: BNP Paribas Real Estate, May 2025

AVERAGE RENTAL GROWTH IN EUROPE

BY SECTOR (2025 – 2029 %, P.A.)

Rental Growth will drive Value in the Medium Term.

- Construction of new buildings has not fully recovered from the pandemic induced shortages. As such supply of prime assets remains limited across the build environment. At the same time demand for good and ESG-compliant assets remains high.
- Therefore, sectors with favorable demand/supply dynamics and those supported by long term structural drivers are likely to see real rental growth.
- In this regards **residential** and the traditional asset classes of **prime office** and **logistics** are well positioned to offer the best performance over the next five years with strong real rental growth.
- After recording falling rental values over the past four years, **retail** is beginning to see real rental growth again, albeit marginal and mostly for high street retail, on the back of good economic growth.
- Other alternative asset classes such as **hotels** present an interesting prospect.



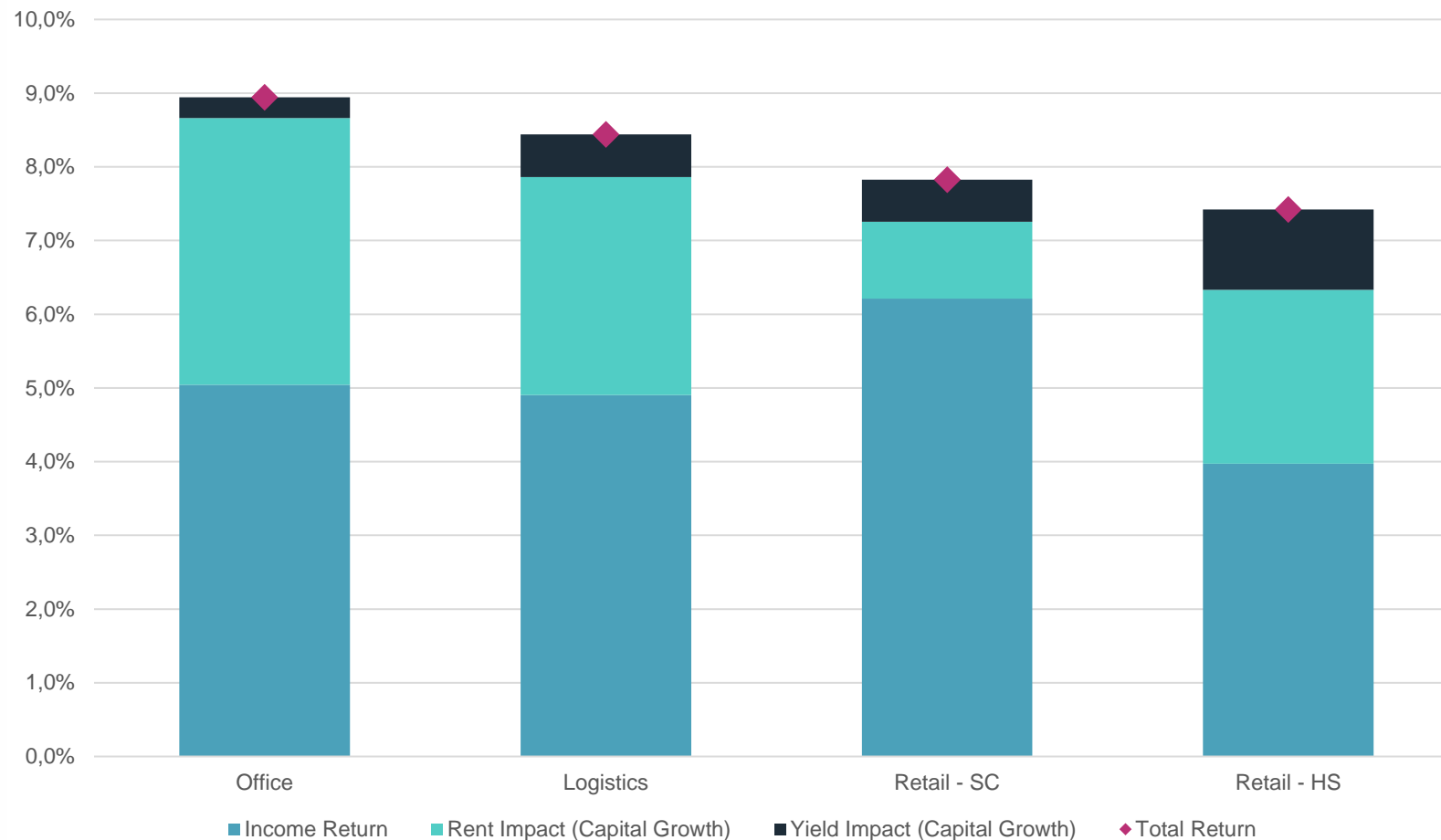
Source: BNP Paribas Real Estate, May 2025

PRIME TOTAL RETURN IN EUROPE

AVERAGE BY ASSET CLASS – (2025 – 2029, % P.A.)

All Returns are not Equal.

- Over the next five years we see an average unadjusted total return (8.5%) at similar levels for all real estate sectors but with varying drivers.
- For **prime office** we anticipate an average 9.0% total return per annum, with half of this driven by capital growth. Moreover, due to the shortage of prime assets, rental growth will account for a significant proportion of increase in value.
- In **logistics** we see a similar level of total return (8.5%) and division between capital growth and income return. However, rental growth has normalized from the previous highs. Therefore, yield movement will have a greater impact on the value creation than in the office sector.
- The **retail** sector is coming back as investors see the trough in its downturn. However, there are differences in performance for the different formats. **Shopping centres** (driven by elevated yield return) have higher relative total return than **high street retail** due to its structurally low yields, even if the latter has a higher capital growth.



Source: BNP Paribas Real Estate, May 2025

LOCATIONS

EUROPE

FRANCE

Headquarters

50, cours de l'Île Seguin
- CS 50280 92650 Boulogne-
Billancourt cedex
Tel.: +33 1 55 65 20 04

GERMANY

Goetheplatz 4
60311 Frankfurt am Main
Tel.: +49 69 29 89 90

UNITED KINGDOM

10 Harewood Avenue
London NW1 6AA
Tel.: +44 20 7338 4000

BELGIUM

Avenue Louise 235
1050 Brussels
Tel.: +32 2 290 59 59

SPAIN

C/ Emilio Vargas, 4
28043 Madrid
Tel.: +34 91 454 96 00

IRELAND

57 Adelaide Road,
Dublin 2
Tel.: +353 1 66 11 233

ITALY

Piazza Lina Bo Bardi, 3
20124 Milano
Tel.: +39 02 58 33 141

LUXEMBOURG

Kronos building
10, rue Edward-Steichen
2540 Luxembourg
Tel.: +352 34 94 84

Investment Management

Tel.: +352 26 06 06

NETHERLANDS

Antonio Vivaldistraat 54
1083 HP Amsterdam
Tel.: +31 20 305 97 20

POLAND

Grzybowska 78,
00-844 Warsaw
Tel.: +48 22 653 44 00

PORTUGAL

Avenida da República, 90 Piso 1,
Fracção 1
1600-206 Lisboa
Tel.: +35 1 939 911 125

MIDDLE EAST / ASIA

DUBAI

Emaar Square
Building n° 1, 7th Floor
P.O. Box 7233, Dubaï
Tel.: +971 44 248 277

HONG KONG, SAR CHINA

63/F, Two International
Finance Centre
8 Finance Street, Central,
Hong Kong, SAR China
Tel.: +852 2909 8888

SINGAPORE

20 Collyer Quay, #17-04
Singapore 049319
Tel.: +65 681 982 82

ALLIANCES

AUSTRIA
CZECH REPUBLIC
GREECE
HUNGARY
JERSEY
NORTHERN IRELAND
PORTUGAL
ROMANIA
SLOVAKIA
SWITZERLAND
USA

CONTENTS AND PRODUCTION

Acknowledgments

We would like to thank all the local teams, Newsec and the alliances for their assistance in the preparation of this report.



BNP Paribas Real Estate Disclaimer Clause

BNP Paribas Real Estate cannot be held responsible if, despite its best efforts, the information contained in the present report turns out to be inaccurate or incomplete. This report is released by BNP Paribas Real Estate and the information in it is dedicated to the exclusive use of its clients. The report and the information contained in it may not be copied or reproduced without prior permission from BNP Paribas Real Estate.

All rights reserved. This report is protected in its entirety by copyright. No part of this publication may be reproduced, translated, transmitted, or stored in a retrieval system in any form or by any means, without the prior permission in writing of BNPPRE.



KEEP IN TOUCH WITH US, WHEREVER YOU ARE

#BEYONDBUILDINGS



www.realestate.bnpparibas.com