EUROPE
CRE 360

ECONOMIC OUTLOOK

REAL ESTATE PERSPECTIVES

GLOBAL RESEARCH
September 2025

BNP PARIBAS REAL ESTATE

Real Estate for a changing world

BNP PARIBAS REAL ESTATE

EXECUTIVE SUMMARY

IN A NUTSHELL

FISCAL BOOST SUPPORTS RECOVERY

- An increase in defense spending across Europe and looser fiscal policy in Germany will support economic growth.
- However, higher US import tariffs and global uncertainty will prevent much of a rebound.
- Inflation has stabilised around the ECB's 2% target. Meanwhile, the ECB's interest rate cutting cycle is coming to an end.
- Overall, we forecast eurozone GDP to grow by 1.2% y/y in 2025 and 1.3% y/y in 2026.

CAPITAL MARKET CONTINUED TO REBOUND

- Total investment for Q2 2025 amounted to €164bn showing a consistent 20% year-on-year increase. The increase is driven by all asset classes.
- Following a sustained improvement over 2024, the first half of this year continued to see expansion.
- Persisting uncertainty around macroeconomic and financial background is likely to moderate the investment activity, nevertheless, the cutting cycle of the monetary policy have remained so far supportive.

OFFICE LETTINGS REMAIN ENCOURAGING

- Around 3.99 m sqm was transacted over H1 in the 18 main European markets, reflecting a 6% increase (vs H1 2024).
- Recent relocations indicate that some occupiers are increasing the size of their office requirements, accentuated by the rise of returns to office mandates.
- Despite a slowdown in deliveries, the average European vacancy is increasing.

SELECTIVE IMPROVEMENT IN THE LOGISTICS MARKET

- A slow start to the year for the occupier market with contrasting trends between the leading European markets. Apart from Spain and Germany, demand has been lagging in most countries.
- Capital markets recorded good growth of 7% boosted by the return of portfolio transactions. Yield decompression has closed with stabilisation nearly everywhere in Europe, creating a more predictable environment than seen in previous years

RETAIL: RECOVERY IS IN THE MAKING

- Retail recorded an increase of 30% in investment volume over the past 12 months. Investors show most confidence in the big markets, as Germany and the UK captured almost half of transaction volume.
- Retail sales in Europe rebounded in June (+0,3%) despite economic uncertainties, price volatility and growing tensions on American exports. As exports should be negatively impacted by tariffs and a stronger euro, domestic demand is becoming key to support growth.

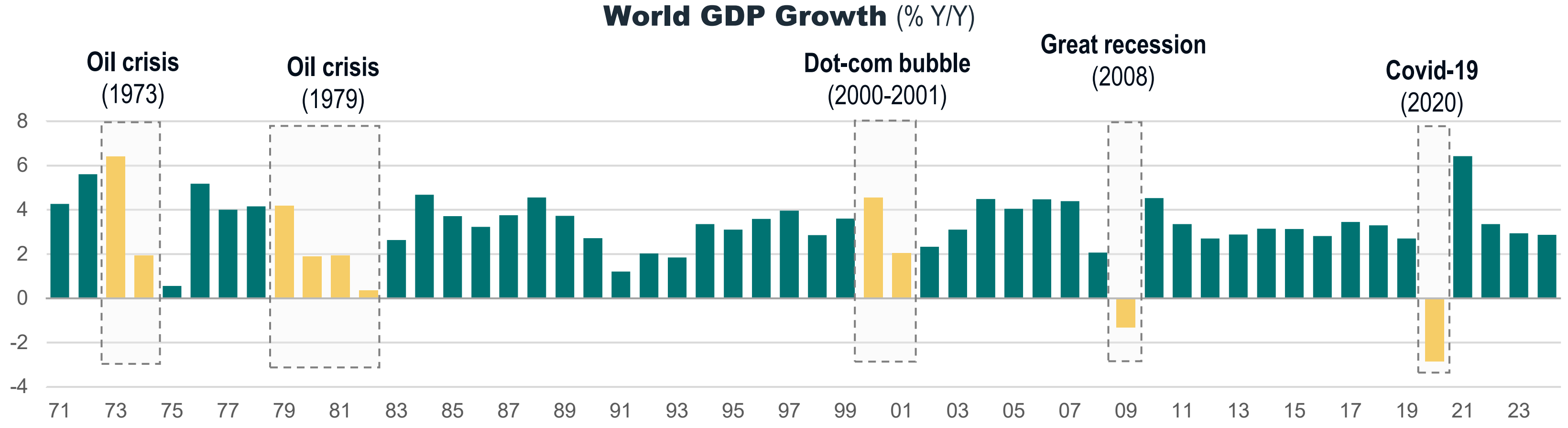
RESIDENTIAL: SMALLER SCALE DEALS DRIVE ACTIVITY

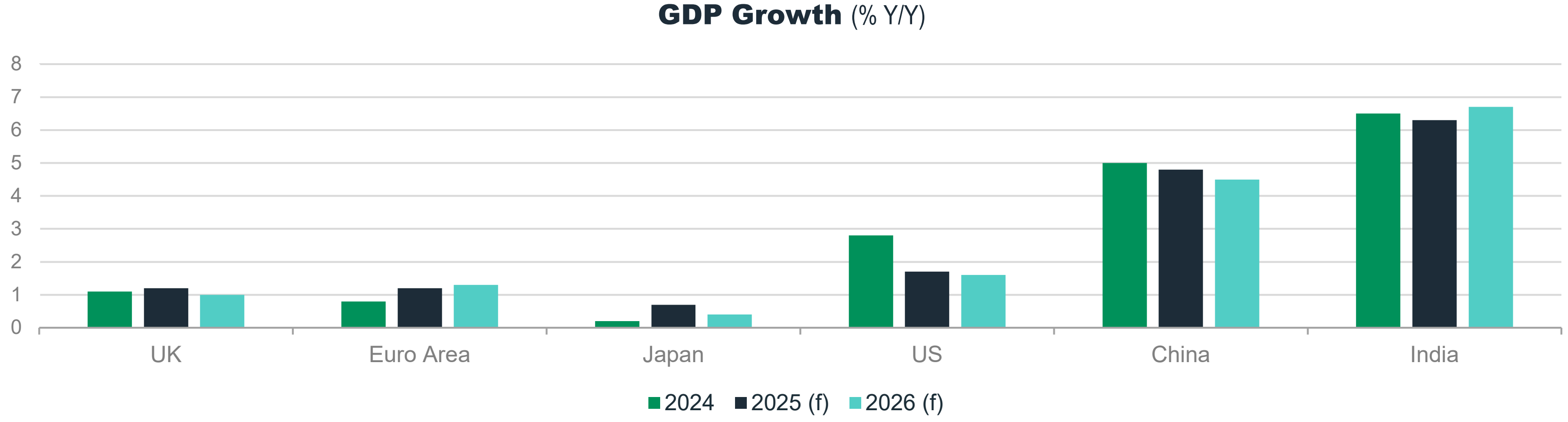
- Residential investment volume in Europe reached €18.3bn (-1% y/y) in H1 2025. Fewer very large-scale deals occurred in Q2 2025 where investment volumes decreased by 20% y/y.
- House prices and rental values increased by 5.5% and 3.7% y/y, respectively in Q1 2025. Despite the ongoing regulations in Europe, rental values are still booming in several cities to reach new record levels.

01. ECONOMIC OUTLOOK

GLOBAL ECONOMY

ALL EYES ON TARIFF NEGOTIATIONS





Growth endures, despite fragile foundations

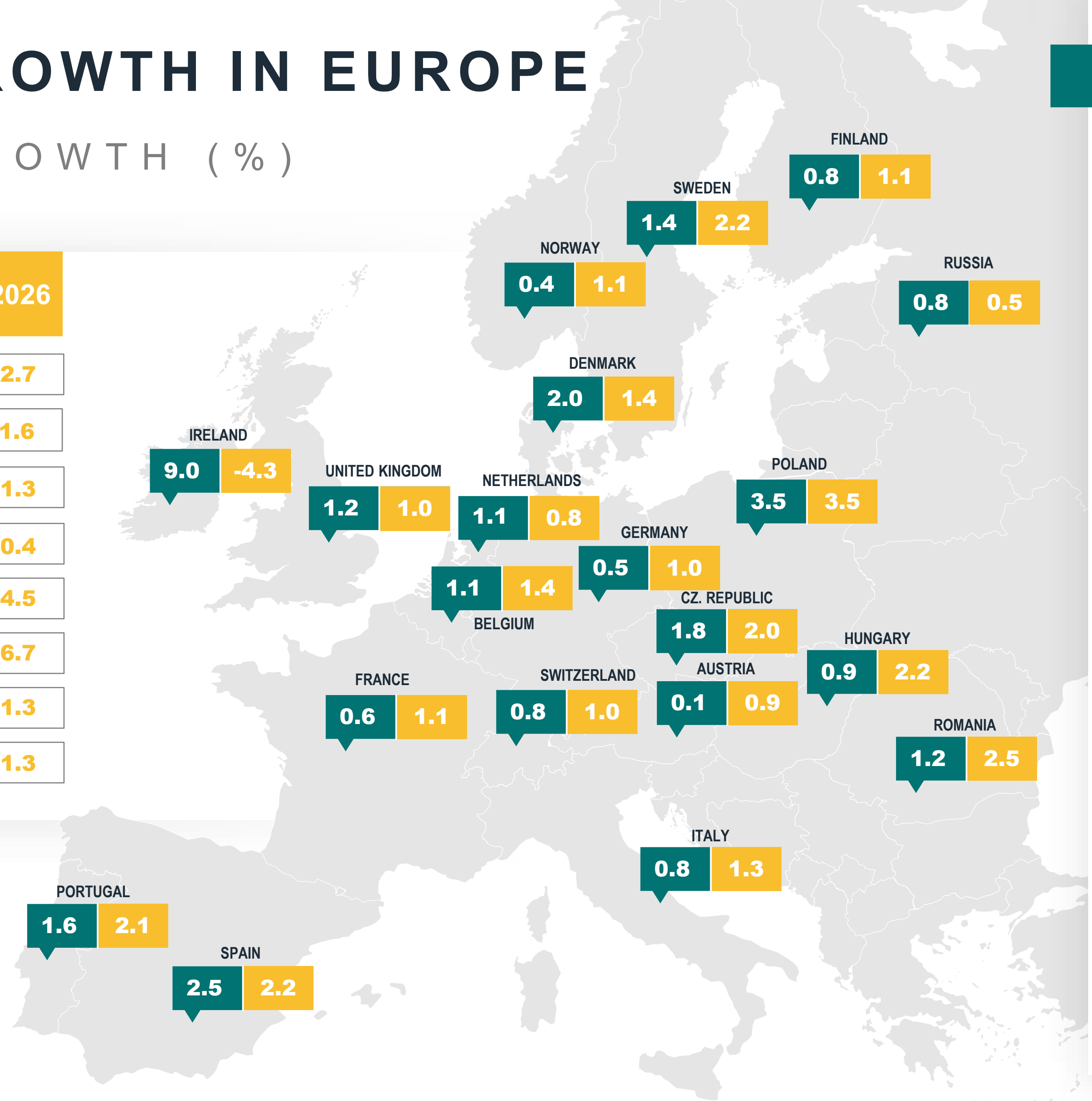
- The global economy continues to be characterised by instability and unpredictability. Much of this stems from the US administration's approach to trade policy.
- The market fallout from the April 2nd Liberation Day tariff announcements led to a phase of negotiations. These are expected to result in baseline tariffs of at least 10% as well as sector-specific levies.
- Also in the US, passage of the One Big Beautiful Bill Act does not reshape our expected trajectory of the US economy – still caught between the drag from tariffs and only a moderate boost from tax and spending changes.
- In Europe, the shift in fiscal policy is likely to have a more meaningful impact. We expect the combination of higher defence spending and fiscal expansion in Germany to lift eurozone real GDP by over a percentage point in the coming years.
- Overall, we forecast a gradual recovery in Europe while growth is set to slow elsewhere.

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

ECONOMIC GROWTH IN EUROPE

ANNUAL GDP GROWTH (%)

	2024	2025	2026
World	3.0	2.5	2.7
United States	2.8	1.7	1.6
Euro area	0.8	1.2	1.3
Japan	0.2	0.7	0.4
China	5.0	4.8	4.5
India	6.5	6.3	6.7
Russia	4.3	2.4	1.3
Brasil	3.4	2.4	1.3



Fiscal policy shift drives faster economic growth

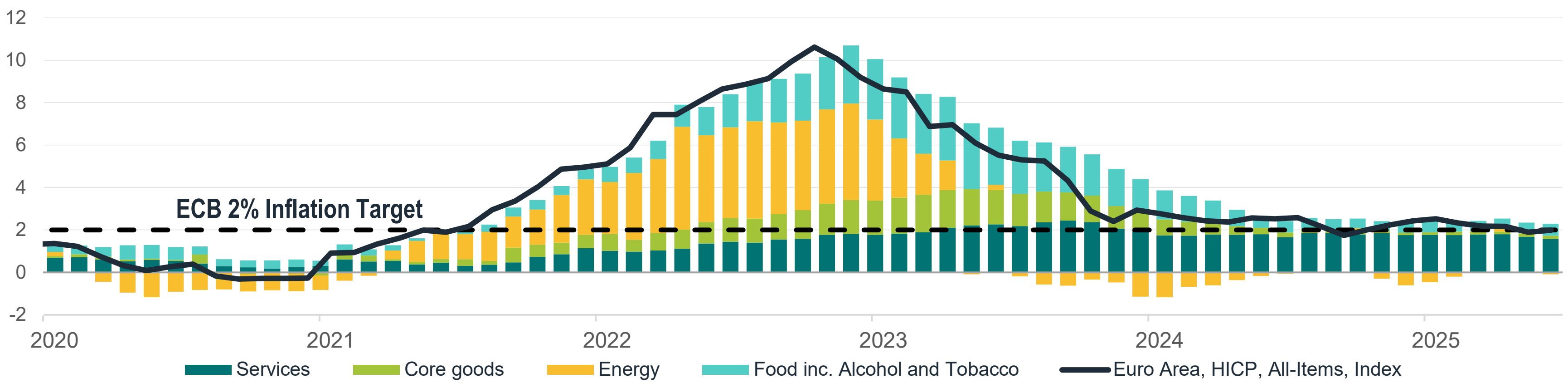
- Economic growth in the first half of the year has been distorted by news on US tariffs. Eurozone exports to the US surged in Q1, as trade was brought forward ahead of the implementation of tariffs. As a result, we expect real GDP growth of 0.6% q/q in Q1 to be followed by a contraction of -0.1% q/q in Q2.
- Tariffs will continue to affect the European outlook, particularly in more exposed economies such as Germany and Italy. We think the largest impact will be delivered through trade policy uncertainty, which may cause businesses to delay making investment decisions.
- However, other factors are more supportive. Falling interest rates, lower inflation and higher levels of government spending will underpin economic growth. We continue to expect outperformance in Spain, which is benefitting from higher immigration and Next Generation EU funds.
- Italy is also a major beneficiary of the support funds. However, without the same inward migration, we expect it to perform towards the middle of the pack. We also expect moderate growth in the UK, where labour supply challenges are keeping inflation sticky, and France, where there is lingering uncertainty around the fiscal policy outlook.
- While Germany is expected to underperform this year, it will see stronger growth in 2026 as a significant fiscal expansion drives the economy forward.

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

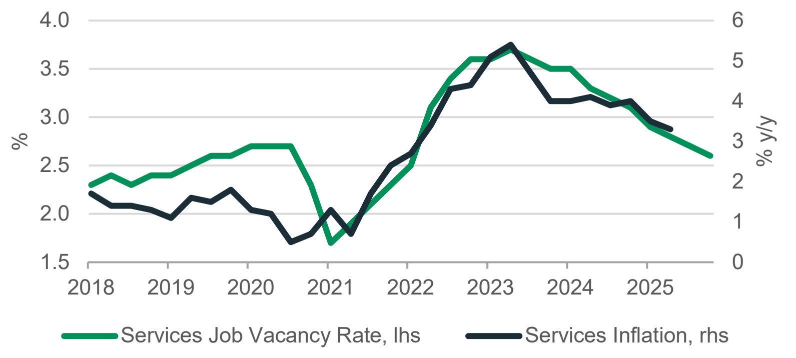
INFLATION RATES

INFLATION STABILISES AT TARGET

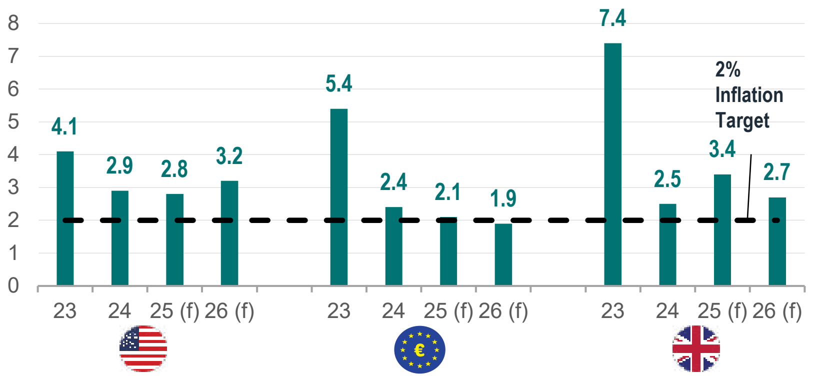
Eurozone Inflation (% Y/Y)



Services Inflation & Job Vacancy Rate



Annual Inflation Rates (% Y/Y)



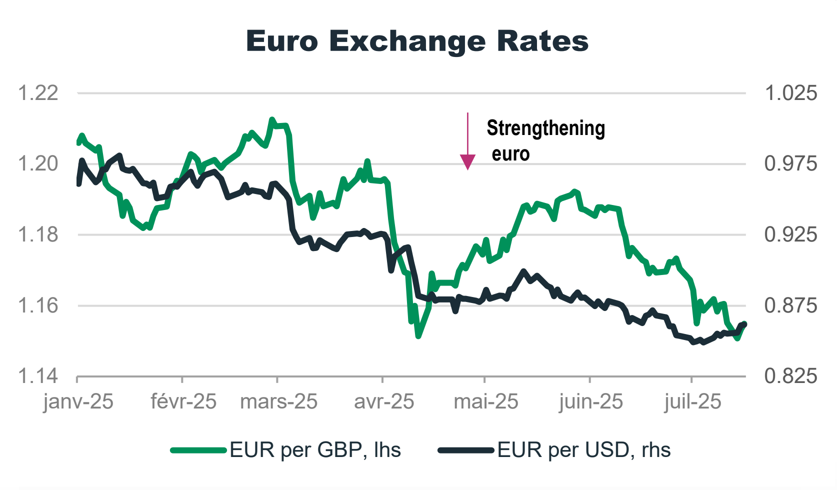
Euro area inflation stabilises, while UK overshoots target

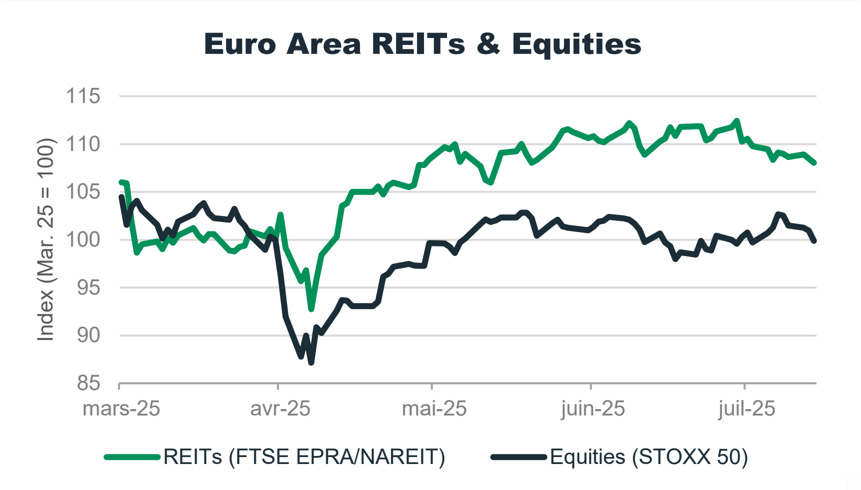
- Eurozone inflation has returned to the ECB's 2% y/y target as weak price pressures in core goods have offset stronger pressures in food and services.
- Forward-looking measures point to further moderation in wage growth, which should ease price pressures in the services sector. Meanwhile, lower oil prices could prove an additional source of disinflation.
- Bringing this all together, we forecast headline inflation to stay close to the ECB's target in the coming quarters. Although, we acknowledge uncertainty around the impact of fiscal spending and non-domestic factors such as the conflict in the Middle East.
- In the UK, rising food and energy prices have pushed inflation back above the BoE's 2% y/y target. However, the real problem lies in the services sector, which continues to record large price rises. This mainly reflects the impact of rising labour costs, in part driven by recent government policy changes.
- That said, we expect UK inflation to drop back in 2026, as weakness in the labour market feeds through to softer price pressures.
- The path for inflation in the US will be heavily influenced the increase in goods tariffs. The pass-through to goods prices has been slowed by firms stocking up on goods before tariffs took effect.
- However, the June data showed the first clear signs of tariffs pushing up US inflation, which we expect to continue in Q3.

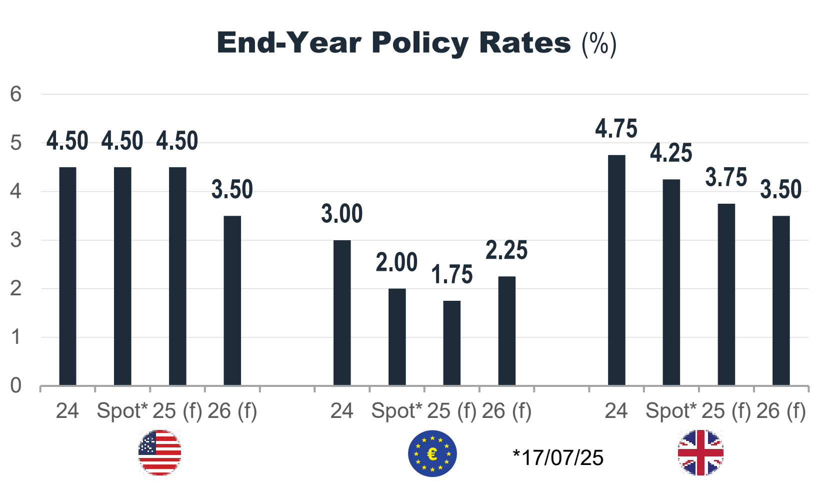
Sources: BNP Paribas Economic Research, Eurostat, ECB, BoE, BNP Paribas, Macrobond.

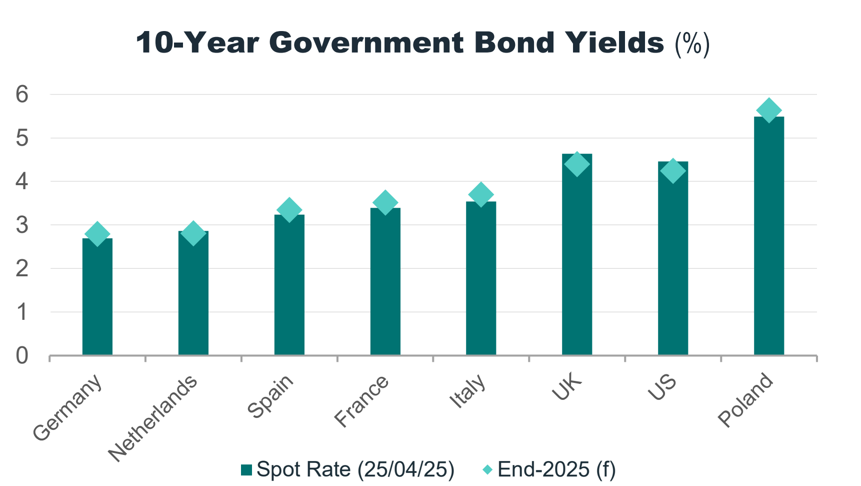
FINANCIAL MARKETS

ECONOMIC AND FINANCIAL INDICATORS









Euro strengthens against major currencies

- The euro has strengthened against the pound since the start of the year and even more so against the dollar. We think the euro could appreciate further against the dollar because of a reallocation out of US assets and support from fiscal expansion in the euro area.
- Euro area REIT prices made a swift recovery from the Liberation Day tariff announcements on April 2nd, outperforming the wider stock market. However, prices have flattened off since then.
- Over the past quarter, the ECB and BoE have continued their interest rate cutting cycles. We think the ECB has nearly concluded its cycle and may need to adjust its policy rate higher next year to contain inflationary pressures emerging from higher government spending.
- We expect the BoE to continue lowering interest rates at a gradual pace into the beginning of next year. Meanwhile, we forecast the Federal Reserve to keep interest rates on hold in 2025 before cutting in 2026.
- We expect 10-year government bond yields in the UK and US to edge lower over the next year. In the UK, this partly reflects our view that the BoE will pause its active quantitative tightening programme, in turn, containing rises in the bond supply.
- By contrast, we think additional bond issuance from the German government could push bond yields higher across Europe.

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

02.

REAL ESTATE PERSPECTIVES

02.

REAL ESTATE PERSPECTIVES

CAPITAL MARKETS

INVESTMENT VOLUME

€164bn

Q2 2025
Rolling year

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

HIGH-PERFORMING SECTOR

+30% y/y

RETAIL

Retail is following a sustained upward trajectory in investment

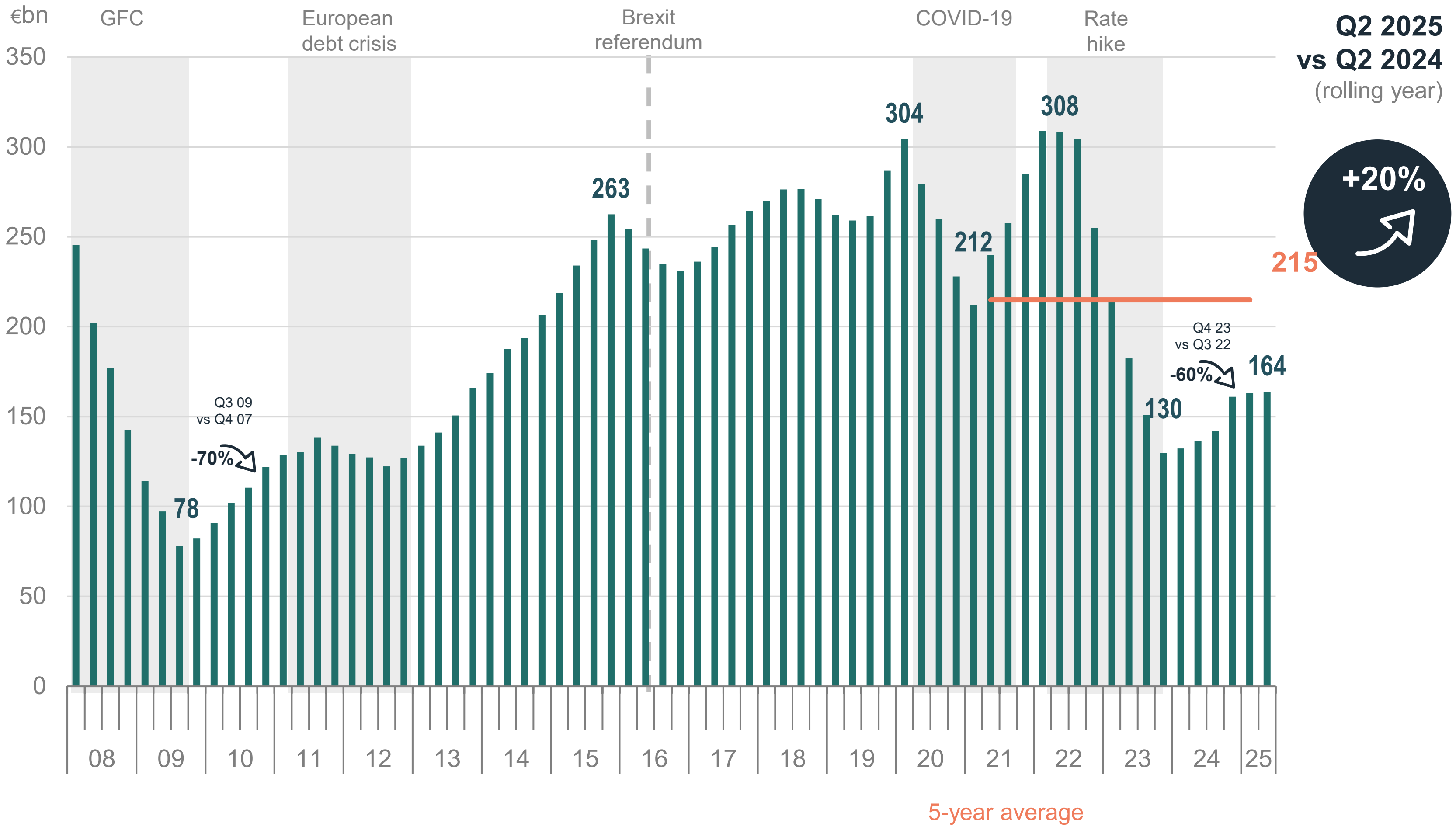
PRIME YIELDS

4.60% vs Q2 24	4.20% vs Q2 24	4.90% vs Q2 24
Office	Retail	Logistics
Q2 2025	Q2 2025	Q2 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



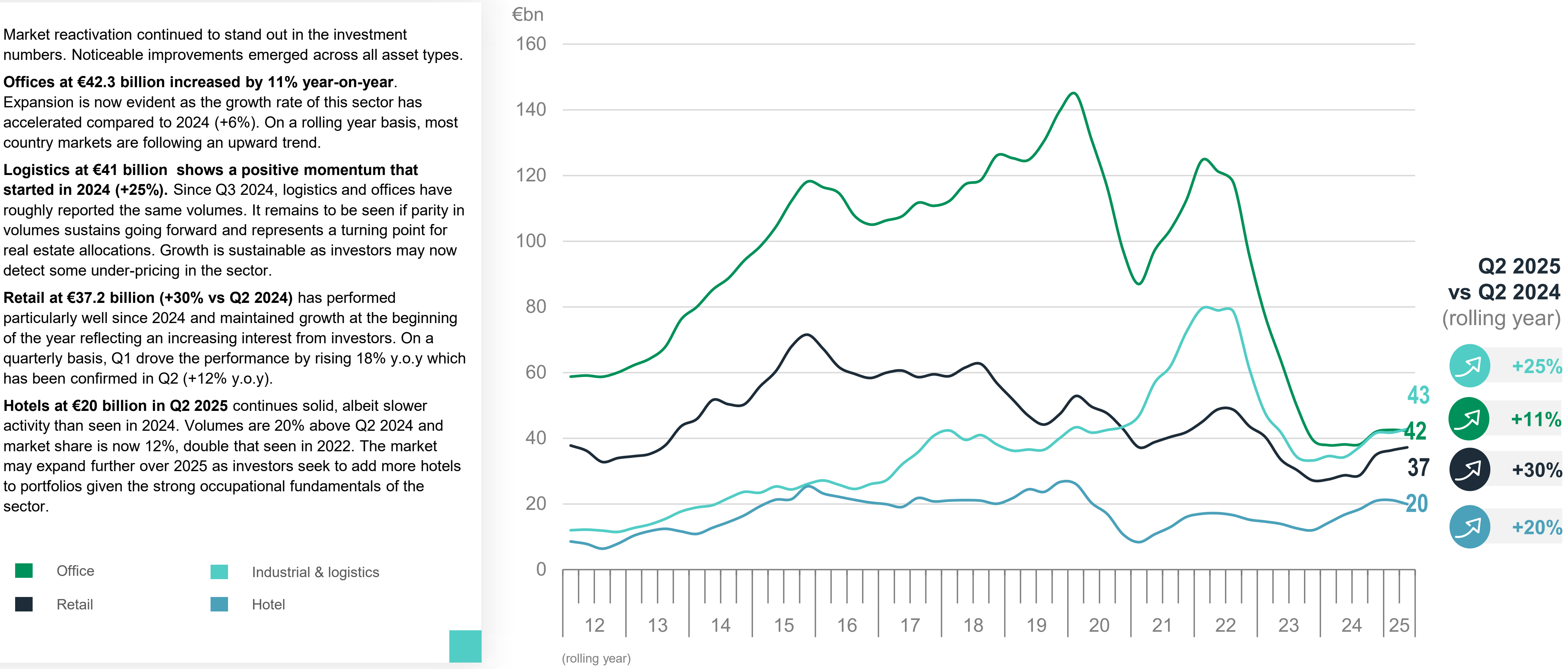
- **Total investment in European commercial real estate for Q2 2025 amounted to €164bn showing a consistent 20% year-on-year increase.**
- Following a sustained improvement over 2024, the first half of this year continued to see expansion, however, at a lower pace.
- Persisting uncertainty around macroeconomic and financial background is likely to moderate the investment activity, nevertheless, the cutting cycle of the monetary policy have remained so far supportive.
- **For a year now, the ECB has undertaken back-to-back rate cuts in the deposit facility, reaching 2.00%.**
- Indeed, amid volatility in overall financial markets, the income stability of real estate can reinforce its role within long-term allocation.
- The market correction seen in mid 2022 (-60%), while comparable to the downturn experienced during the Great Financial Crisis (-70%), did not bring volumes down to the levels seen in late 2009.
- As of today, the market situation is adjusting to the disruptions caused by short-term uncertainty. The long-term rationale for investment is gradually reasserting itself. Therefore, investment volumes are expected to steadily gain momentum over the coming years.

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 €42.3 billion increased by 11% year-on-year**. Expansion is now evident as the growth rate of this sector has accelerated compared to 2024 (+6%). On a rolling year basis, most country markets are following an upward trend.
- **Logistics at €41 billion shows a positive momentum that started in 2024 (+25%).** 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 €37.2 billion (+30% vs Q2 2024)** has performed particularly well since 2024 and maintained growth at the beginning of the year reflecting an increasing interest from investors. On a quarterly basis, Q1 drove the performance by rising 18% y.o.y which has been confirmed in Q2 (+12% y.o.y).
- **Hotels at €20 billion in Q2 2025** continues solid, albeit slower activity than seen in 2024. Volumes are 20% above Q2 2024 and market share is now 12%, double that seen in 2022. The market may expand further over 2025 as investors seek to add more hotels to portfolios given the strong occupational fundamentals of the sector.



This excludes residential investment.

COMMERCIAL REAL ESTATE INVESTMENT

STABILITY IS STILL ON TRACK

H1 2025 vs H1 2024

UNITED KINGDOM	-12%
GERMANY	-7%
FRANCE	+11%
SWEDEN	+15%
NETHERLANDS	-19%
SPAIN	+57%
ITALY	+51%
NORWAY	-43%
POLAND	-7%
BELGIUM	-10%
DENMARK	+37%
FINLAND	+115%
IRELAND	+69%
AUSTRIA	-35%
LUXEMBOURG	+146%

≥ €5bn — €400m-1bn

€1-5bn — < €400m

(excludes residential investment)

EUROPE – H1 2025

€76.7bn

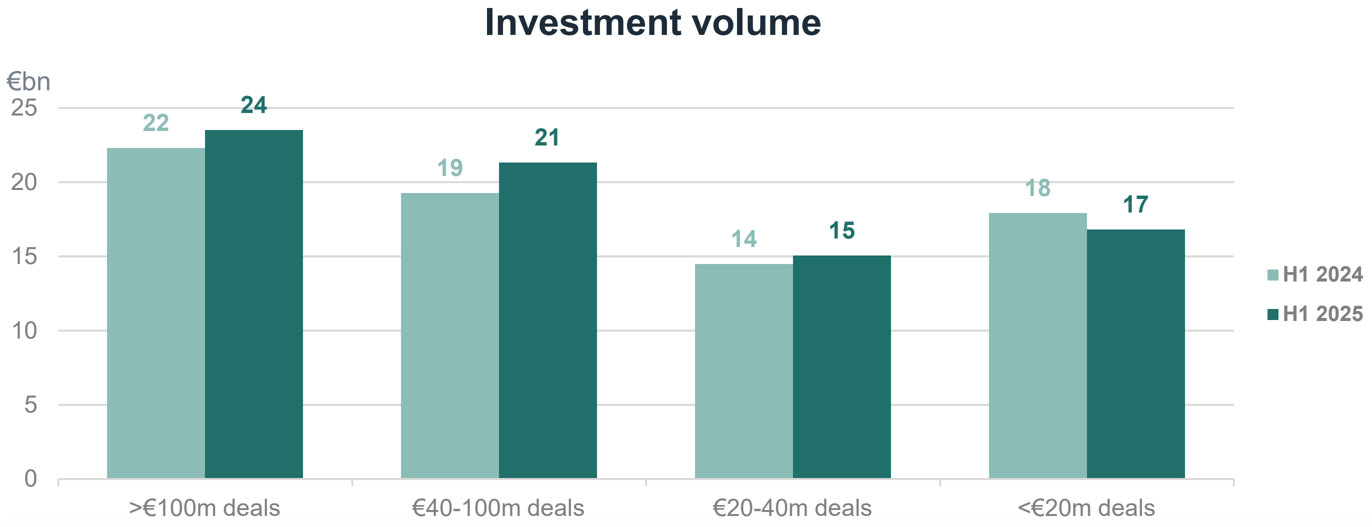
+4% H1 2024

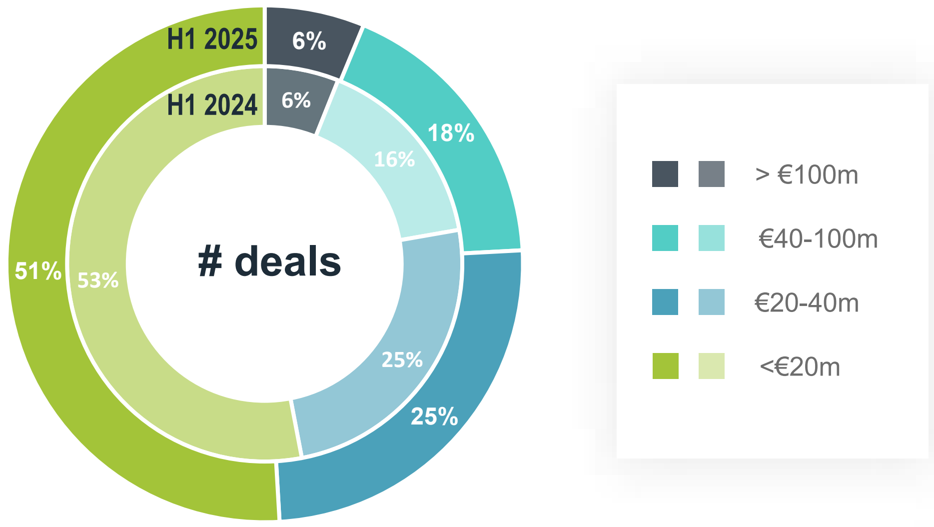
- **€76.7bn** have been invested in Europe since the beginning of 2025**, maintaining stability comparing the volume with** H1 2024.
- The decline in the United Kingdom and Germany reflected continued uncertainty about the macroeconomic situation.
- Investment in **France** continues to improve with a gain of around 11%.
- Except for Norway, the Nordic countries consistently improved in H1 2025. They collectively account for €10.9bn.
- Italy (+51%), Spain (+57%), Ireland (+69%) also posted strong outcomes.

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 H1 2025, large scale transactions volumes are up €2bn compared to H1 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 H1 2025, mega deals (> €100m) dominate the market in termes of volumes with a 31% share.**
- Transaction volumes in the **€40m to €100m band saw growth** holding steady at 27% of the market volume. This segment has demonstrated the greatest stability in market share over time.
- Conversely, transaction numbers for smaller scale deals (<€20m) dropped slightly in H1 reducing market share to 51% (compared to 53% in H1 2024).

This excludes residential investment.

CROSS-BORDER INVESTMENT IN EUROPE – H1 2025

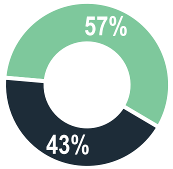
EUROPEAN FOREIGN CAPITAL LEADS THE WAY

- As of H1 2025, foreign investment grew to €32.9 bn (+11% vs H1 2024) and represents a market share of 43%, slightly below the 5-year average. Except for American funds, foreign capital increased exposure to European markets.
- **European cross-border volume experienced growth of 17%** compared to H1 2024 reaching €13.6bn, leading the market with 41% share. Largest volumes were deployed in Germany (€3.1bn), the United Kingdom (€2.7bn), Spain (€1.1bn) and the Netherlands (€1bn).
- **Focused interest from American investors decreased in the first half of the year by 6% to €11.2bn. Still, some countries saw American capital grow, for instance, doubling in Spain (€1.3bn) and Italy (€1.1bn)**
- Volumes from **APAC grew 33% to €3.8bn, representing a market share of 12%, above H1 2024 share of 10%.** Mainly, it was the UK (€2.3bn) that benefited from this activity.
- Enthusiasm from **Middle East investors for Europe having decreased in 2024, is now reviving (+29% compared to H1 2024).** Around 61% of allocations were focused on the UK.

€ 43.8bn

-1%
Vs H1 2024

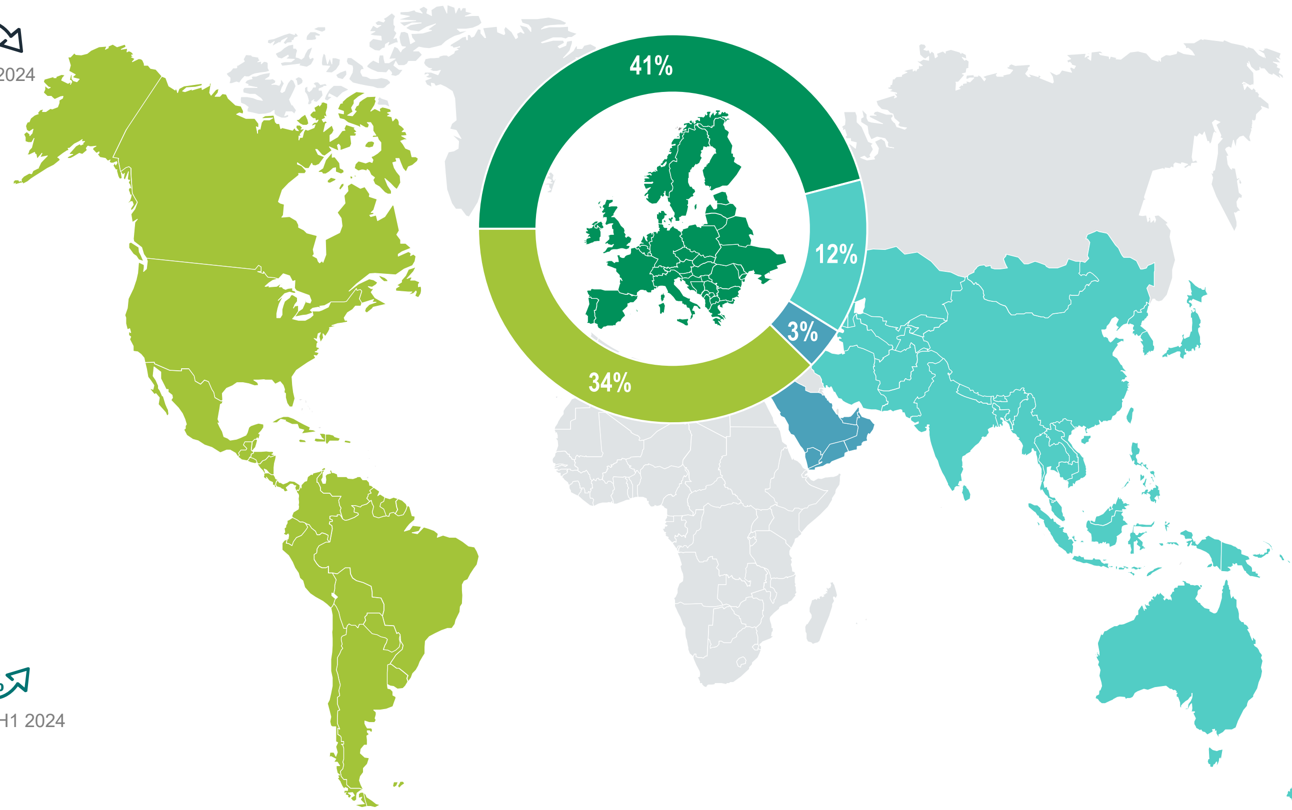
DOMESTIC INVESTMENT



CROSS-BORDER INVESTMENT

€32.9bn

+11%
Vs H1 2024



EUROPE
€13.6BN +17%
vs H1 2024

AMERICAS
€11.2BN -6%
vs H1 2024

ASIA PACIFIC
€3.8BN +33%
vs H1 2024

MIDDLE EAST
€1.0BN +29%
vs H1 2024

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

This excludes residential investment.

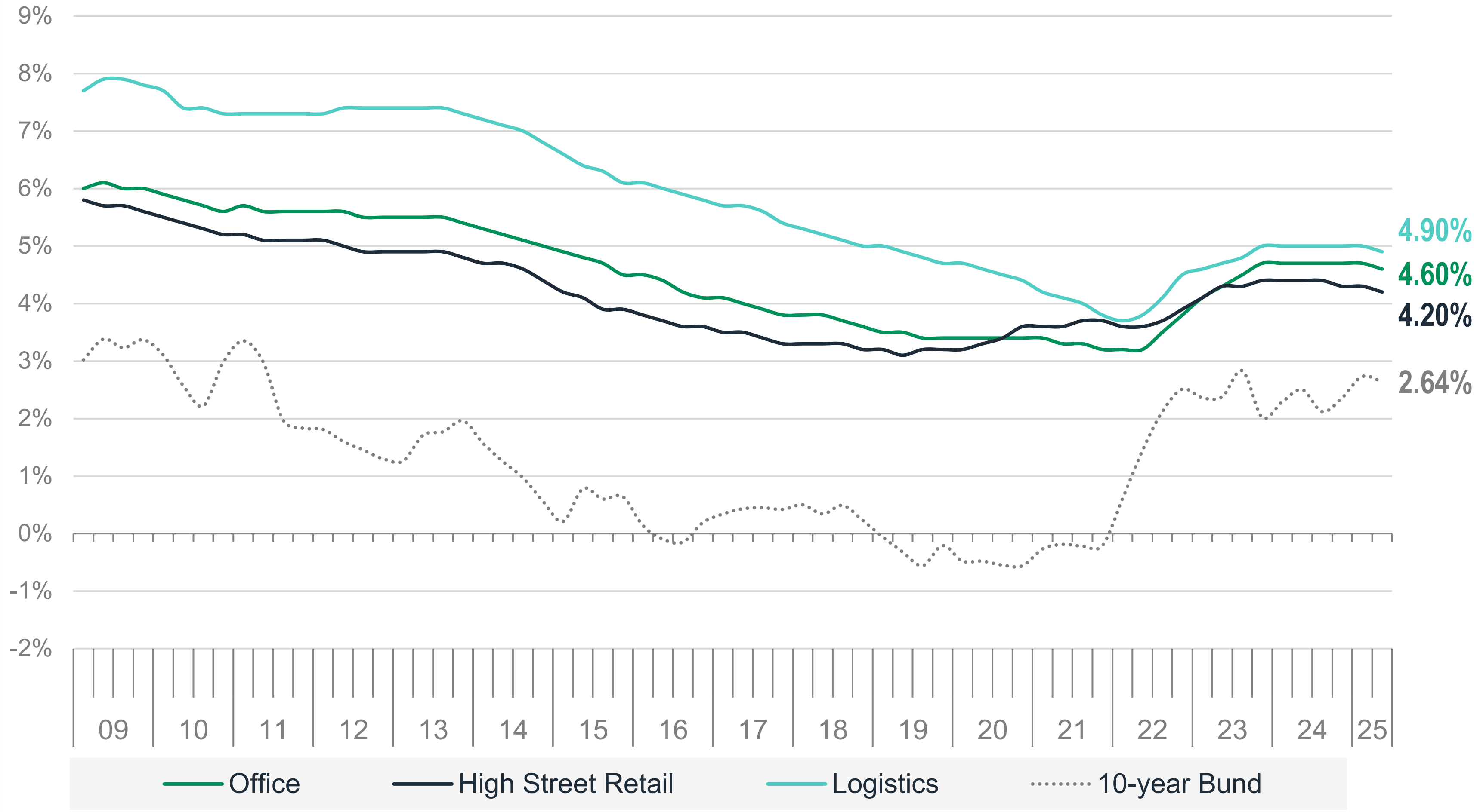
AVERAGE PRIME YIELDS IN EUROPE

MONETARY POLICY BECOMING MORE FAVOURABLE TO REAL ESTATE

Maintaining stability

- Central banks are continuing along their rate cutting path to focus on growth rather than inflation.
- 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 half of this year.
- **Paris at 3.90% and London at 4.00% remain the lowest yielding market in Europe for offices** where interest 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.

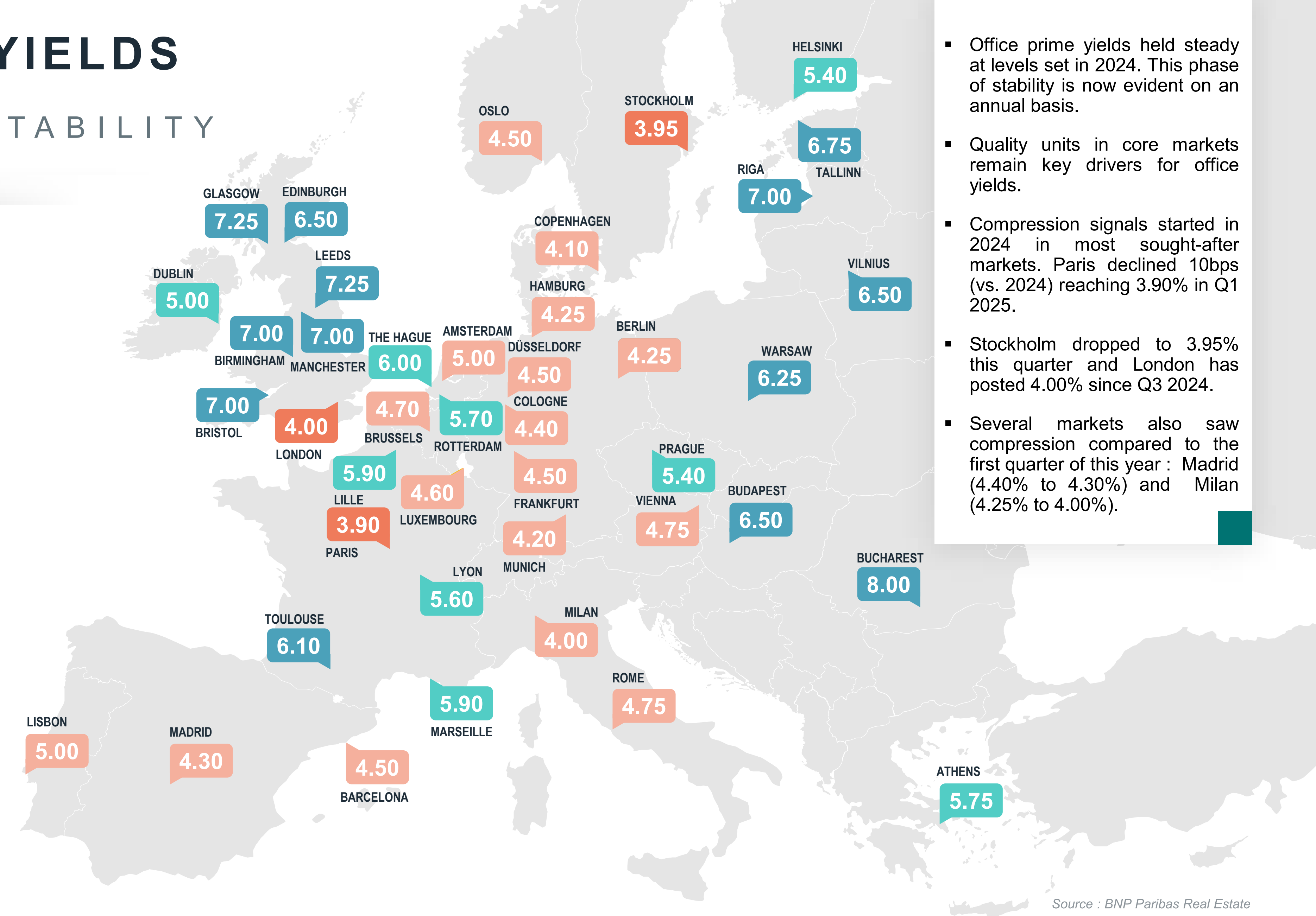
PRIME OFFICE YIELDS

SETTLING INTO STABILITY

Q2 2025 vs Q2 2024

PARIS	-35bps ↘
LONDON	-15bps ↘
BERLIN	→
STOCKHOLM	→
MUNICH	→
MILAN	-25bps ↘
OSLO	→
MADRID	-10bps ↘
BRUSSELS	→
DUBLIN	-25bps ↘
AMSTERDAM	→
COPENHAGEN	-5bps ↘
BARCELONA	-10bps ↘
LUXEMBOURG	-15bps ↘
WARSAW	+25bps ↗

≤ 4% | 6-8%
4-5% | >8%
5-6%



- Office prime yields held steady at levels set in 2024. This phase of stability is now evident on an annual basis.
- Quality units in core markets remain key drivers for office yields.
- Compression signals started in 2024 in most sought-after markets. Paris declined 10bps (vs. 2024) reaching 3.90% in Q1 2025.
- Stockholm dropped to 3.95% this quarter and London has posted 4.00% since Q3 2024.
- Several markets also saw compression compared to the first quarter of this year : Madrid (4.40% to 4.30%) and Milan (4.25% to 4.00%).

Source : BNP Paribas Real Estate

02.

REAL ESTATE PERSPECTIVES

OFFICE MARKETS

OFFICE MARKETS IN EUROPE

FLIGHT TO QUALITY BY TENANTS

TAKE-UP

Main markets

+6.0%

vs. H1 2024

Overall activity remains encouraging though many markets lack momentum.

PRIME RENTS

Main markets

+6.0%

vs. Q2 2024

Scarcity of modern units in prime locations continues to push rents up.

NET AVERAGE RENTS

Main markets

+3.7%

vs. Q2 2024

Incentives are intensifying in markets with weak take-up.

VACANCY RATE

9.1%

Q2 2025

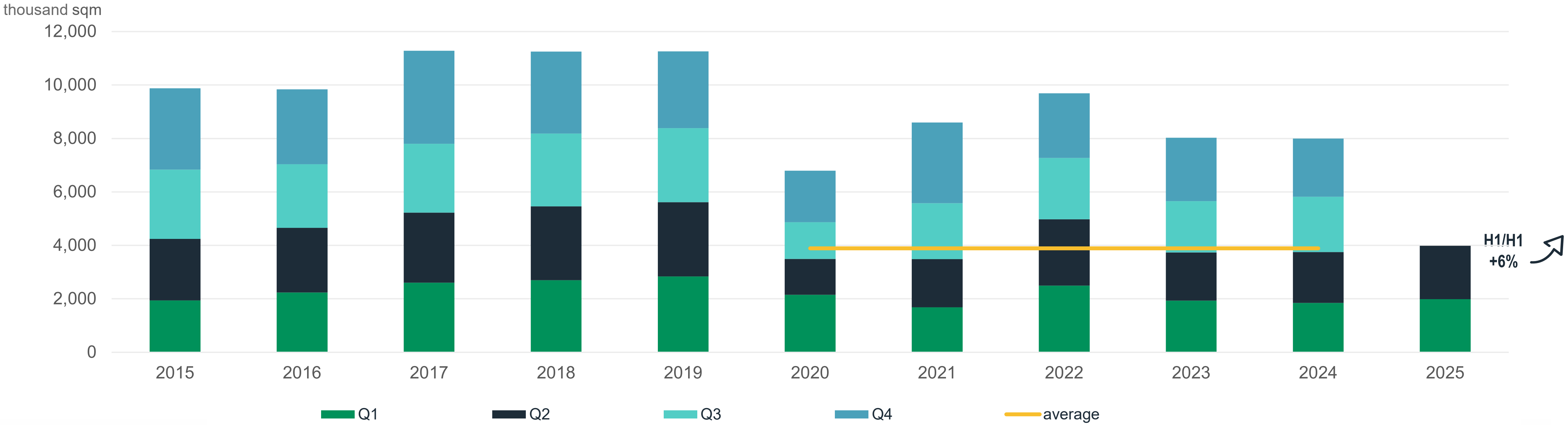
+55 bps

vs. Q2 2024

Despite increasingly high rents, modern space remains highly sought after at the expense of secondary space. Vacancy rate increases are almost entirely driven by the second-hand market.

OFFICE TAKE-UP IN EUROPE – H1 2025

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

H1 results in line with the 5-year average

- Around 3.99 m sqm was transacted over H1 in the 18 main European markets, reflecting a 6% increase (vs H1 2024).
- Some markets experienced significant rebounds including Luxembourg (+110%), Cologne (+89%), Frankfurt (+70%), Amsterdam (+32%), and Central London (+31%).
- Markets dropping back include Rome (-33%), Brussels (-22%) and Düsseldorf (-16%), Lyon (-14%), Central Paris and Berlin (-12%).
- Economic uncertainty may be deterring some real estate decisions. Despite early improvement, market momentum has yet to truly accelerate.

Source : BNP Paribas Real Estate

OFFICE TAKE-UP IN EUROPE

MANY MARKETS STILL TO GAIN MOMENTUM

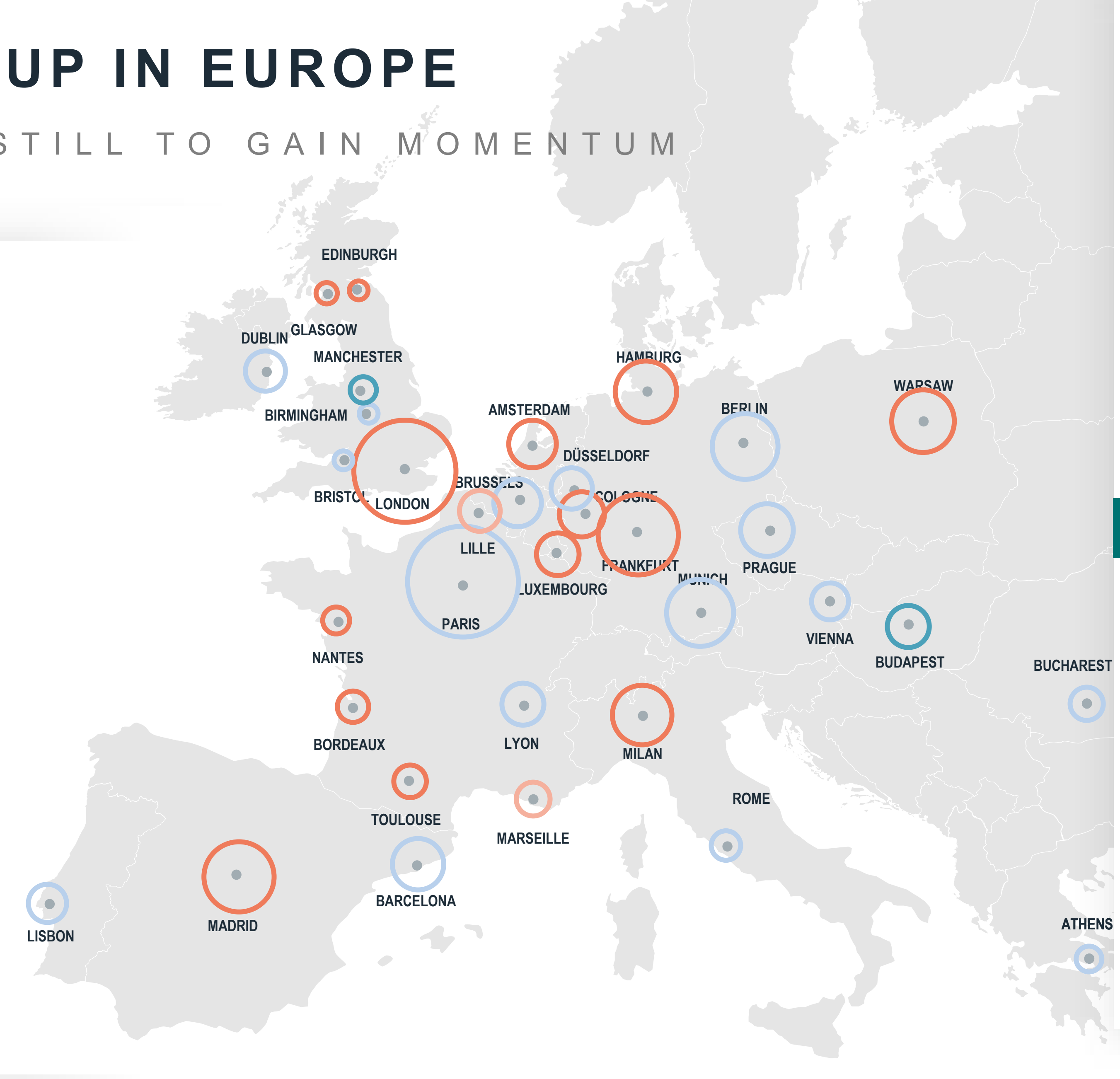
H1 2025 vs H1 2024

CENTRAL LONDON	+31%
BERLIN	-12%
CENTRAL PARIS	-12%
AMSTERDAM	+32%
MADRID	+6%
MILAN	+17%
WARSAW	+13%
BRUSSELS	-22%
DUBLIN	-11%
LUXEMBOURG	+110%
VIENNA	-25%
FRANKFURT	+70%
BARCELONA	-6%

Deals in thousand sqm

500
250
100

> +5%
0 - +5%
-5 - 0%
< -5%



EUROPE – H1 2025

4.97m sqm 35 markets

+2.0% vs. H1 2024

Take-up remains volatile

- The Frankfurt office market remains Germany's most dynamic market with H1 take-up of 366,000 sqm. This is its best half-year result since 2001.
- Central London saw good performance in submarkets such as Southbank (+90% vs H1 2024) West End (+66% vs H1 2024) and Docklands (+46% vs H1 2024).
- Central Paris has experienced a pronounced decline due to a lack of large transactions, especially over Q2.
- Spanish cities, Madrid especially, continue to be among the strongest markets in Europe.

Source : BNP Paribas Real Estate

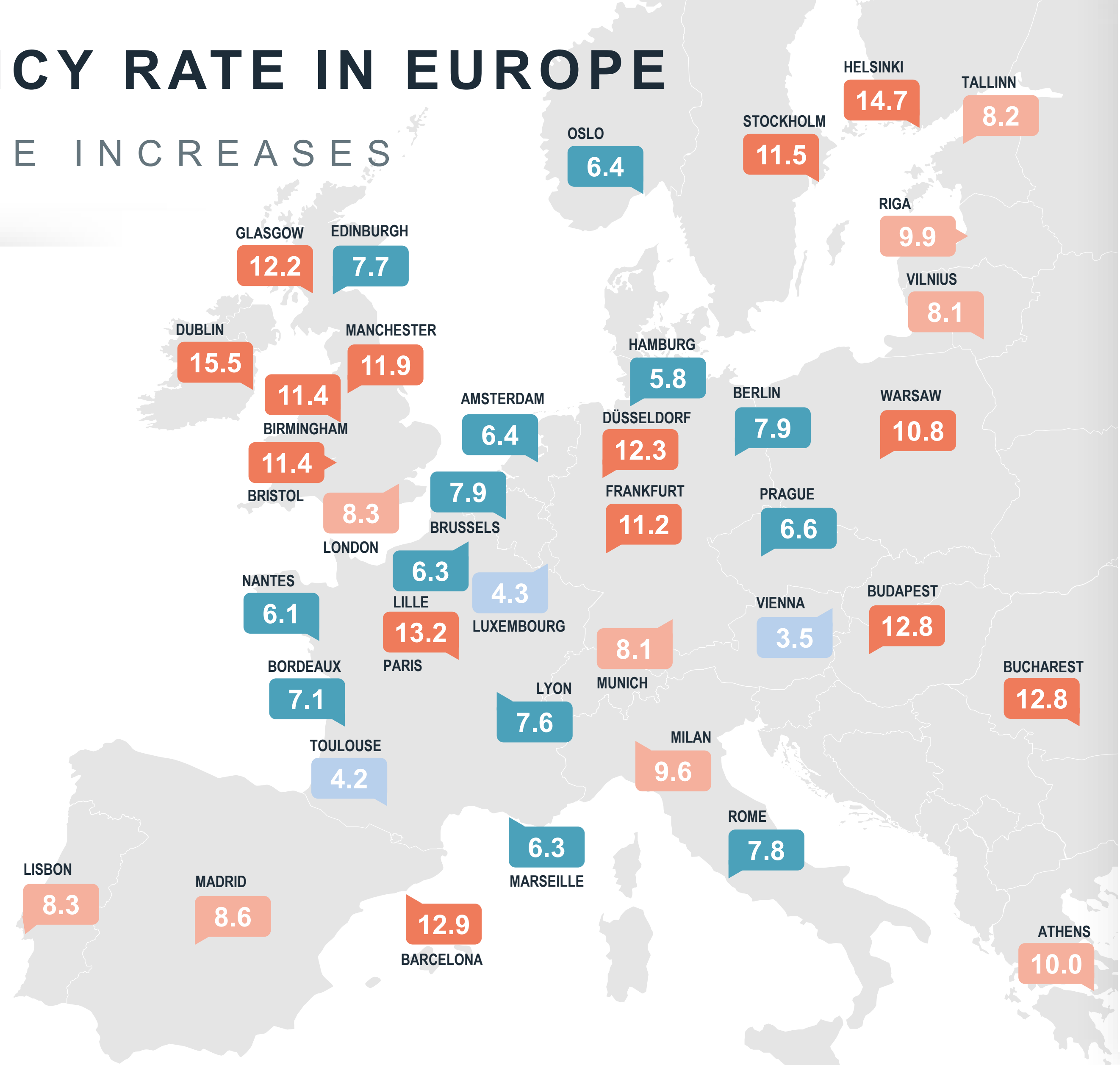
OFFICE VACANCY RATE IN EUROPE

AVAILABLE SPACE INCREASES

Q2 2025 vs Q2 2024

CENTRAL LONDON	-150bp
BERLIN	+140bp
CENTRAL PARIS	+240bp
AMSTERDAM	=
MADRID	-130bp
MILAN	-20bp
WARSAW	-10bp
BRUSSELS	-10bp
DUBLIN	+30bp
LUXEMBOURG	=
VIENNA	+10bp
FRANKFURT	+70bp
BARCELONA	+80bp
STOCKHOLM	+250bp
HELSINKI	-30bp

> 10% 8 -10% 5 - 8% < 5%



EUROPE – Q2 2025

9.1% **38 markets**
+55bp vs. Q2 2024

- Although the construction pipeline is still limited, vacant space continues to increase with release of second-hand space.
- Office completions are slowing down and exhibited a sharp 40% decrease compared to H1 2024 across the 10 main markets*.
- Some markets such as London, Madrid or Milan are already some signs of improvement with a decrease of vacancy.
- The pace of vacancy rate expansion varies considerably by city and is strongly tied to how active the construction pipeline is and strength of occupational demand.

*Central Paris, Central London, Berlin, Munich, Frankfurt, Hamburg, Warsaw, Amsterdam, Milan, Brussels, Dublin, Bucharest, Madrid, Barcelona, Prague, Luxembourg

Source : BNP Paribas Real Estate

OFFICE PRIME RENTS IN EUROPE

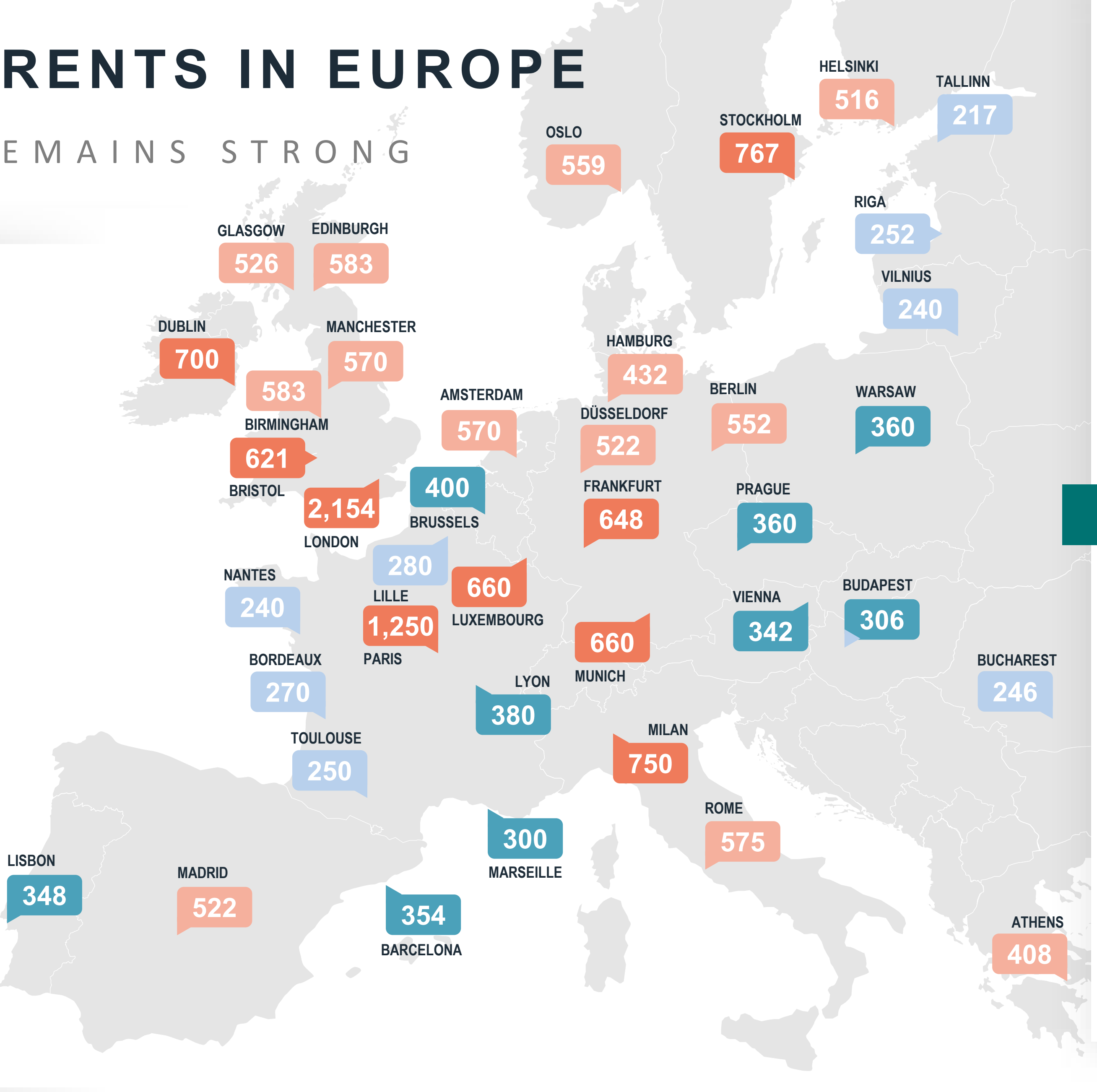
RENTAL GROWTH REMAINS STRONG

Q2 2025 vs Q2 2024

CENTRAL LONDON	+6%
BERLIN	+2%
CENTRAL PARIS	+14%
AMSTERDAM	+3%
MADRID	+5%
MILAN	+7%
WARSAW	=
BRUSSELS	+3%
DUBLIN	+4%
LUXEMBOURG	=
VIENNA	+2%
FRANKFURT	+10%
BARCELONA	+3%

Rents (€/sqm/year)

- > €600
- €400-600
- €300-400
- < €300



EUROPE – Q2 2025

+5% vs. Q2 2024

41 markets

Higher and higher rents for the best locations

- Almost all European cities saw an increase of their Prime rental growth over the last 12 months.
- French regional markets experienced exceptional increases in Q2 especially Bordeaux (+35%) and Toulouse (+25%).
- Despite rents rising, real estate decisions are primarily influenced by the retention of talent rather than securing the lowest cost workspace.
- The dynamic that exists for top end rents is unlikely to alter in the short term until the construction pipeline comes back into equilibrium with demand.

Source : BNP Paribas Real Estate

02.

REAL ESTATE PERSPECTIVES

LOGISTICS MARKETS

LOGISTICS WAREHOUSING MARKET IN EUROPE

STRONG MARKET DISPARITIES ACROSS EUROPE

H1 2025

TAKE-UP*

-8%

vs. H1 2024

Below its 5-year average, the market is sluggish

PRIME RENTS

+3.8%

over 1 year

+0.6%

Last quarter

Market slowdown is easing the pressure on rental growth

INVESTMENT

+7%

vs. H1 2024

Market improvement in H1 stimulated by the return of portfolios

PRIME YIELDS

+125 bps

Since Q1 2022

-3 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)

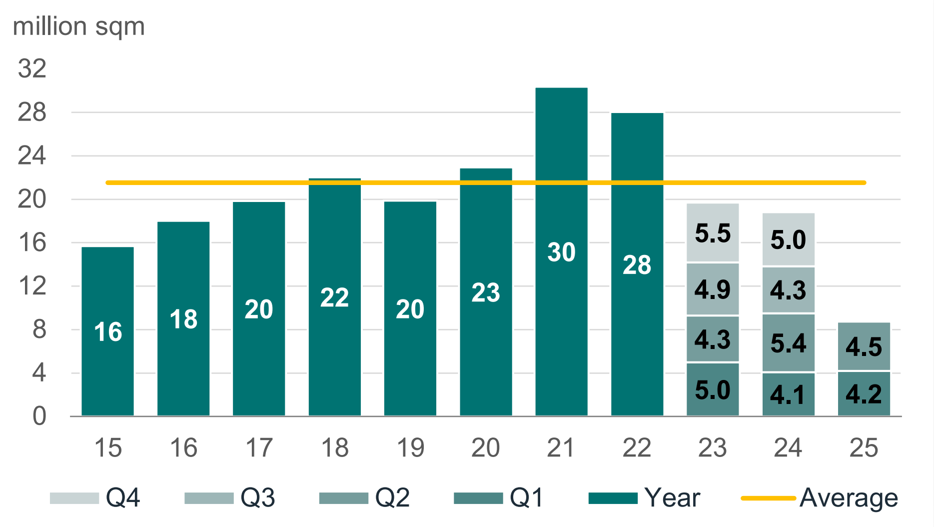
LOGISTICS OCCUPIER MARKET IN EUROPE

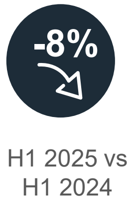
TAKE-UP IN 6 COUNTRIES: -8% (H1 2025 VS H1 2024)

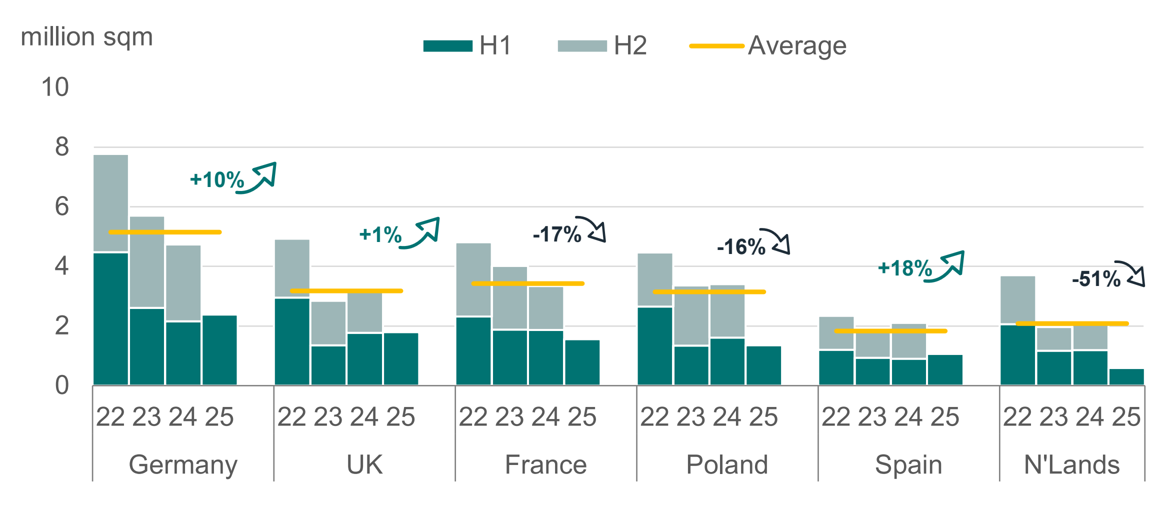
BELOW ITS 5-YEAR AVERAGE, THE MARKET IS STILL SLUGGISH

- **Over H1 2025, the market remained at a low level** in the leading European markets compared to H1 2024. In a context of slow economic activity and strong political uncertainties, there are great disparities within Europe.
- **Spain** remains the most dynamic market in Europe reaching in H1 2025 the highest take-up volume recorded. **Germany** has been showing some positive signs with a strong activity in Q2 boosted bigger deals. In **France**, activity remained weak in Q2, but Paris rebounded sharply after a slow two years. In the **Netherlands,** the market is subdued by a lack of new developments.
- In the **UK**, after a slow start in Q1 improvement was significant in Q2 with take-up increasing in most of the main markets. In **Poland**, after a low start to the year, take-up rose sharply in Q2.
- **The risk of oversupply remains limited** even though vacancy rates have been increasing in some markets. Overall, these remain relatively moderate between 5 and 6% on average in Europe.
- **The strong rental growth of recent years has faded** to a slower pace, +3.8% (y-o-y) during Q2 2025.

Take-up* warehouses above 5,000 sqm







Source: BNP Paribas Real Estate Research

LOGISTICS PRIME RENTS

MODERATE RENTAL GROWTH AT +3.8%

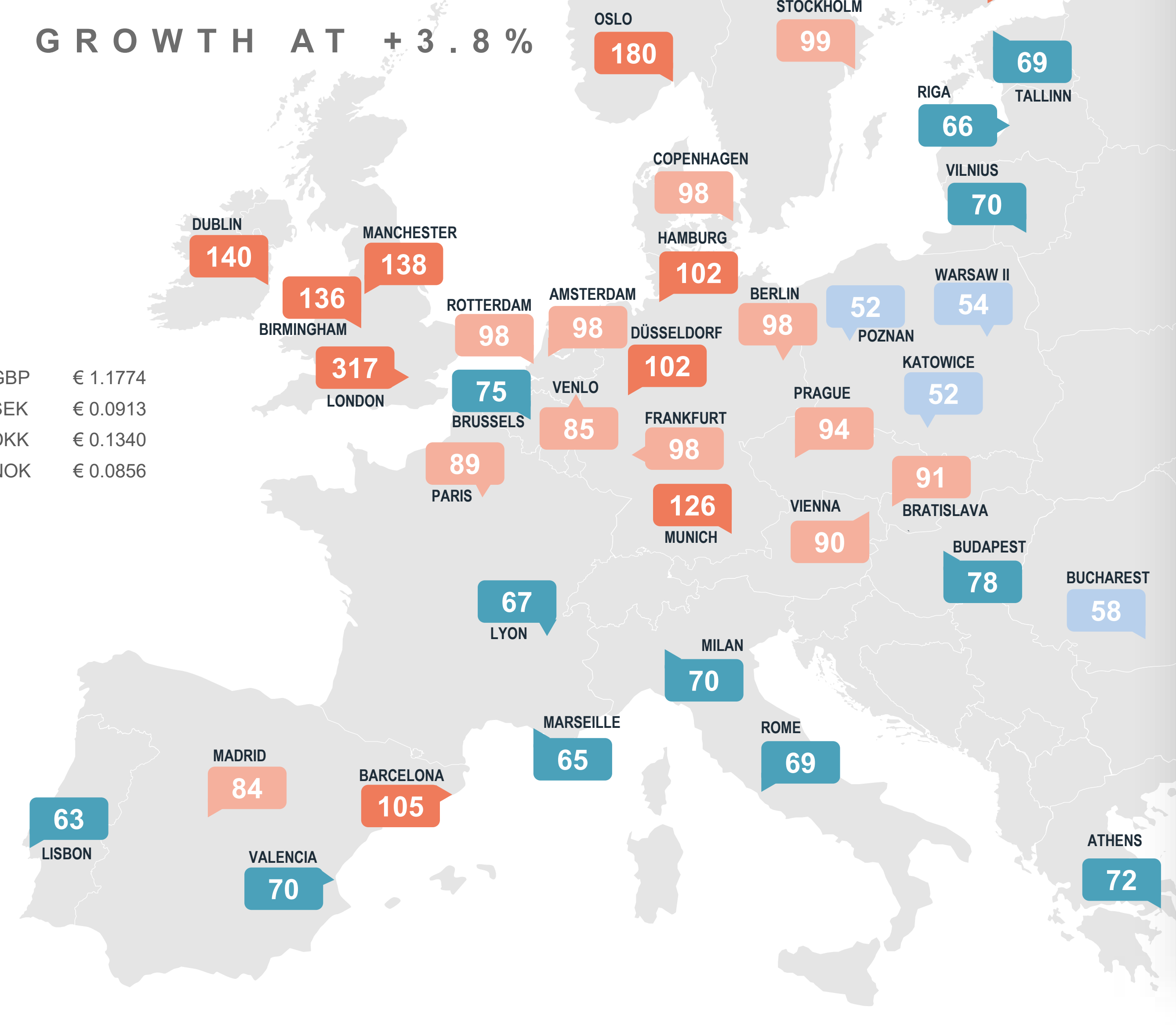
Q2 2025 vs Q2 2024

FRANKFURT	+3%
BERLIN	=
LONDON	=
BIRMINGHAM	+2%
PARIS	+19%
VENLO	+10%
MADRID	+4%
BARCELONA	+9%
WARSAW II	=
PRAGUE	+5%
MILAN	+4%
STOCKHOLM	+3%
OSLO	=

Rents in €/sqm/yr

- ≥ €100
- €60-80
- €80-100
- ≤ €60

1 GBP	€ 1.1774
1 SEK	€ 0.0913
1 DKK	€ 0.1340
1 NOK	€ 0.0856

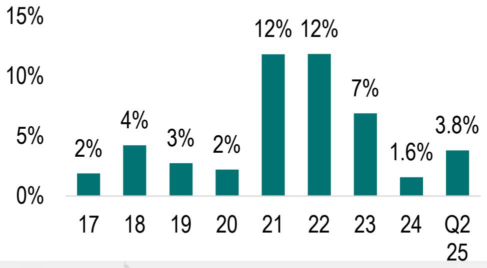


EUROPE Q2 2025
46 markets, 22 countries

+3.8% vs Q2 2024

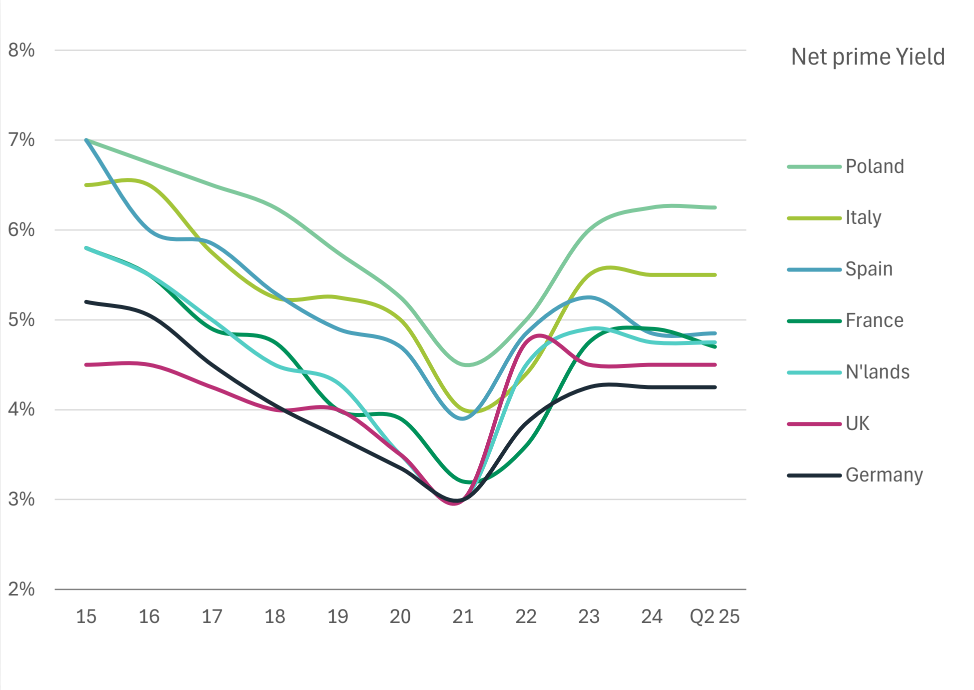
+0.6% vs last quarter

Rental growth (year-on-year)

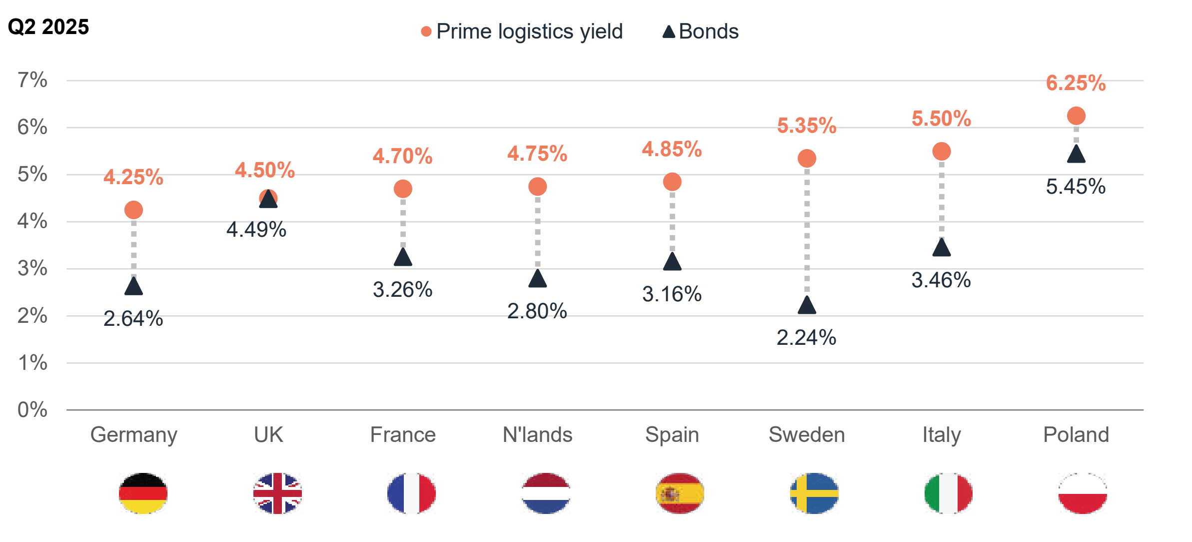


NET PRIME YIELDS IN EUROPE

STABILISATION IN Q2 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. They decreased by just 3 bps over the last quarter in Europe.

Source: BNP Paribas Real Estate Research

BNP PARIBAS REAL ESTATE

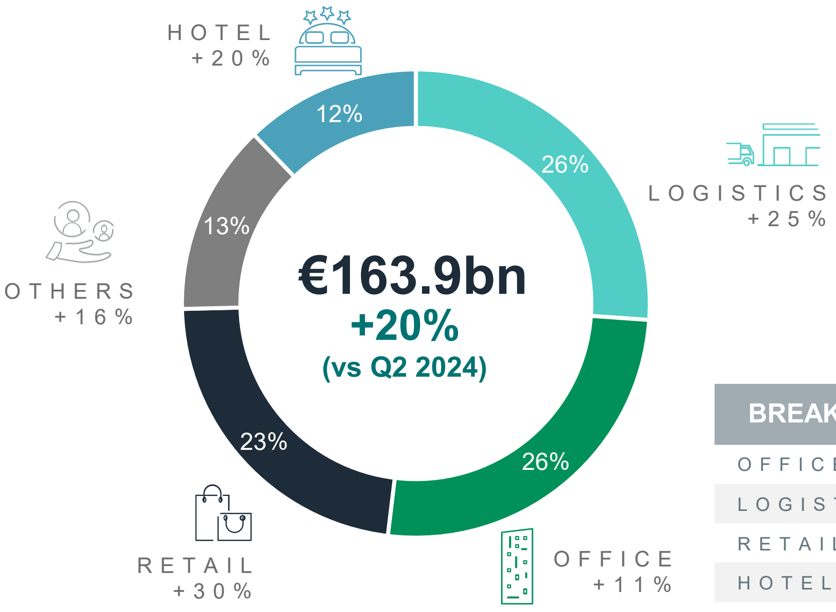
02.

REAL ESTATE PERSPECTIVES

RETAIL MARKETS

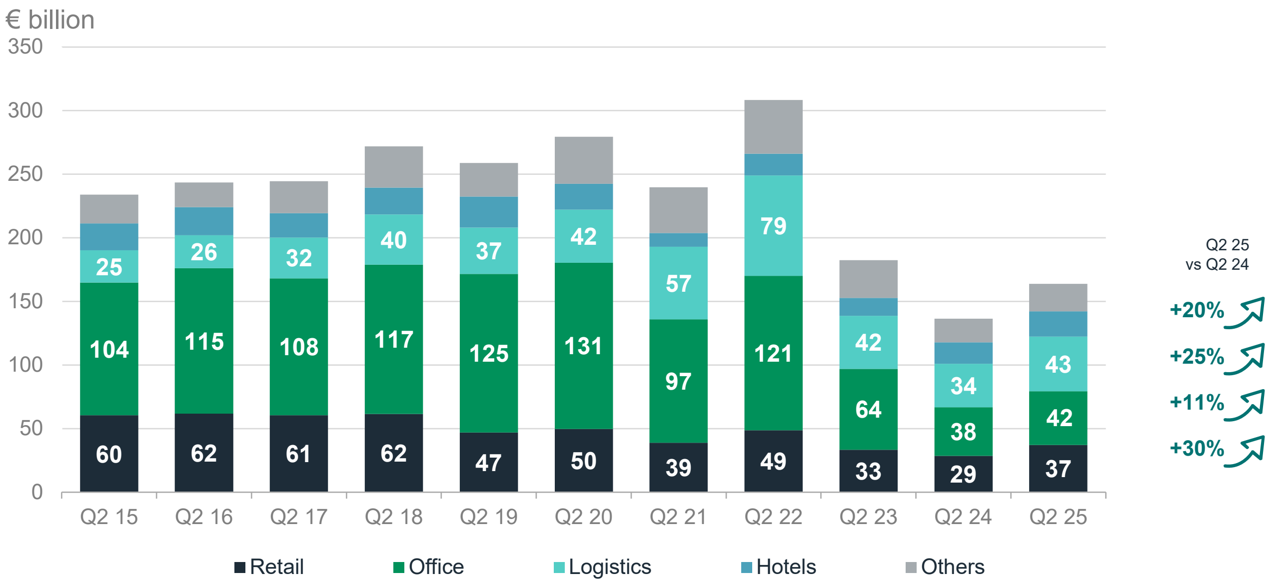
RECOVERY IN THE MAKING

CRE Investment – Q2 2025 – rolling year



BREAKDOWN Q2 2024	
OFFICE	28%
LOGISTICS	25%
RETAIL	21%
HOTEL	12%

CRE Investment – 2015-2025
(rolling year)

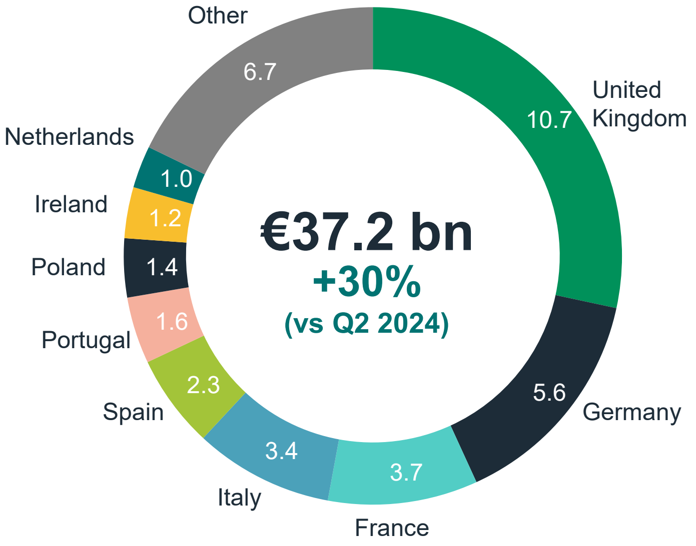


Source : BNP Paribas Real Estate Research

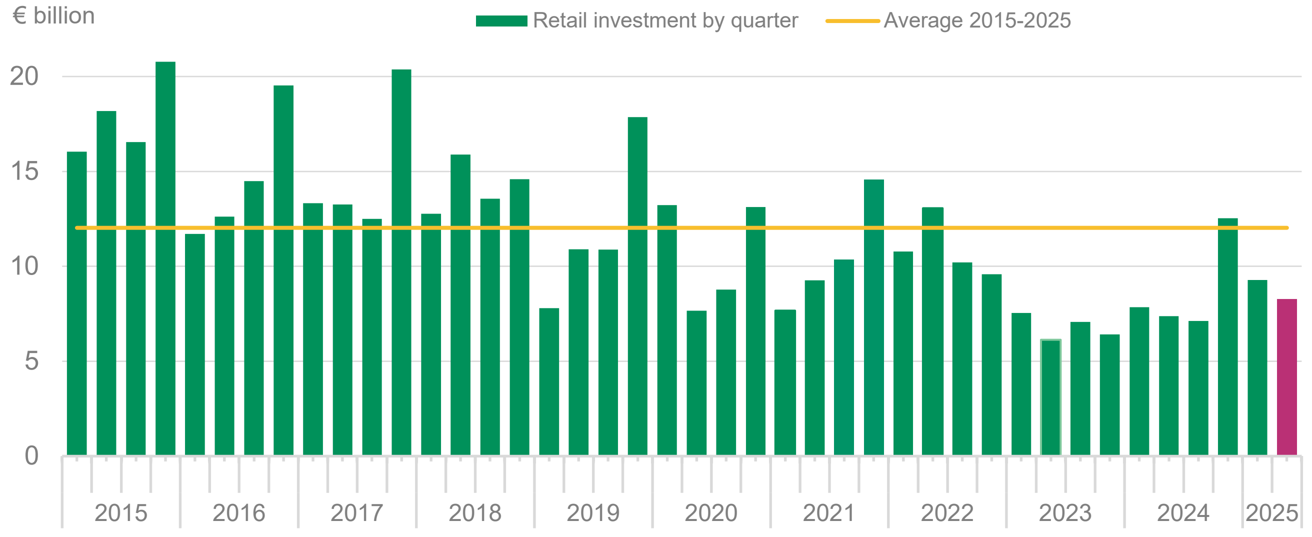
- European commercial real estate investment recorded a volume increase of 20% compared to last year. Improvement suggests mid-2024 was the bottom for the CRE investment market following the crash triggered by the inflationary shock. Central banks have reduced key lending rates, making monetary policy more accommodating to real estate, and in turn encouraging reactivation in investment.
- **Hotels** showed extremely good momentum (+20% vs Q2 2024 with €19.9bn invested over the past 12 months) with increasing interest as global tourism returns to pre-pandemic levels.
- **Retail** experienced the strongest rebound with +30% compared to last year with investors sensing many assets now hold good return potential.
- **Logistics** volumes improved by 25% vs Q2 2024 while **Offices** continued to return to growth (+11%).

INVESTORS AIMING TO CAPTURE VALUE IN RETAIL

Retail investment breakdown by country (Q2 2025 – 12 months)



Retail investment by quarter



Source : BNP Paribas Real Estate Research

- **Retail** recorded an increase of 30**%** in investment volume over the past 12 months.
- Investors show **most confidence** in the big markets, as Germany and the UK captured almost half **of the transaction volume**.
- In some countries**, retail has been one of the most traded commercial asset classes**. In Germany, investors allocated almost as much capital to retail (22%) as offices (23%). In Spain, the retail sector is still the second biggest sector (after hotels) with 21% of the total. In Italy, retail is the biggest sector with 30% of investment volumes, exceeding office allocation which has 24% of the total.

Source: BNP Paribas Real Estate Research.

RETAIL INVESTMENT BY ASSET CLASS – Q2 2025

ALL SUB-SECTORS EXPANDING

© Shutterstock

HIGH STREET

31% = €8.4bn

(+5% vs Q2 2024)*

© Shutterstock

SHOPPING CENTRES

27%= €7.2bn

(+51% vs Q2 2024)*

RETAIL WAREHOUSING

42%= €11.3bn

(+23% vs Q2 2024)*

© Shutterstock

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

Source: BNP Paribas Real Estate Research.

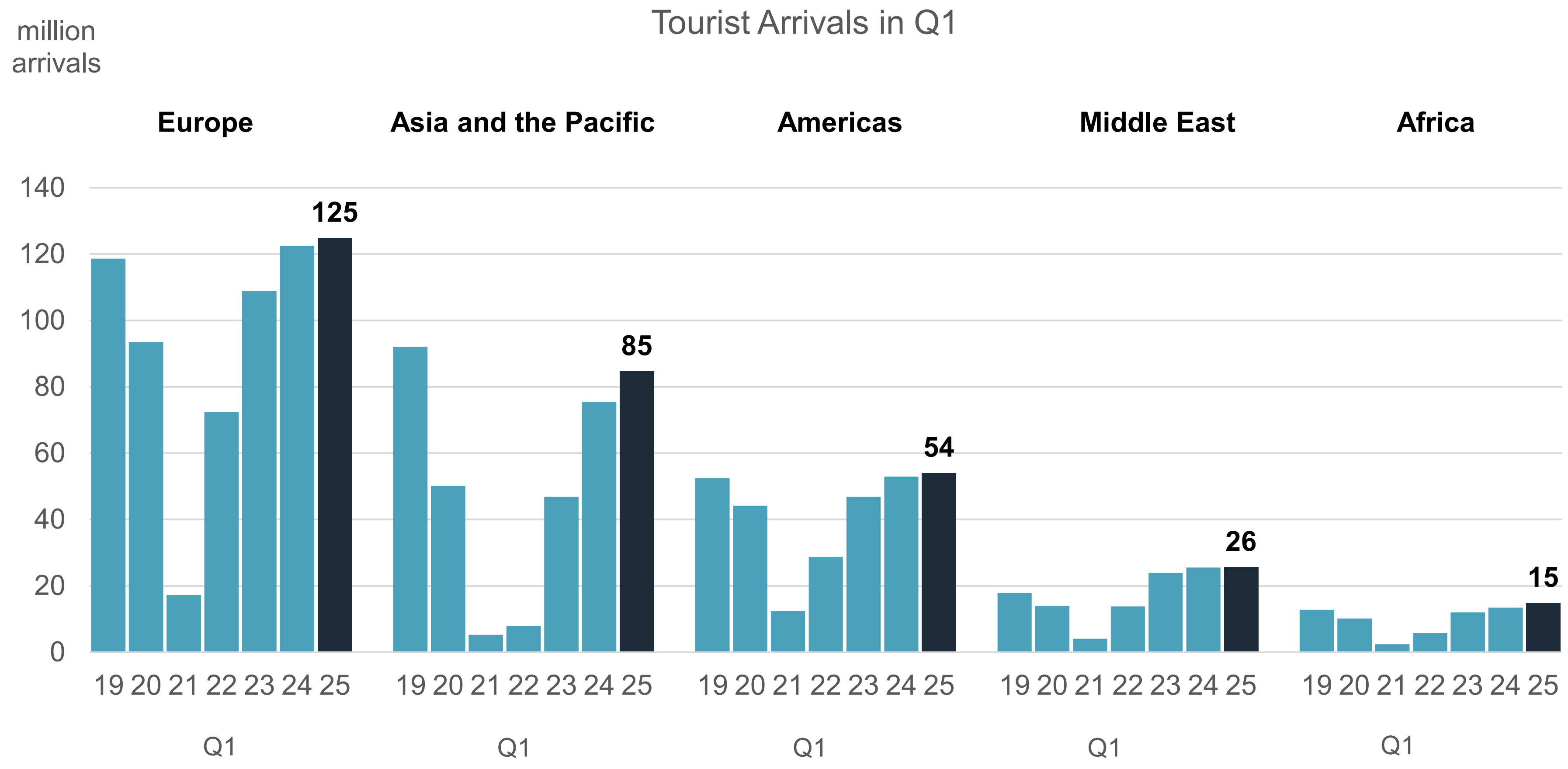
02.

REAL ESTATE PERSPECTIVES

HOTEL MARKETS

INTERNATIONAL TOURIST ARRIVALS

EUROPE LEADS AS A DESTINATION FOCUS



Strengthening growth in tourist demand

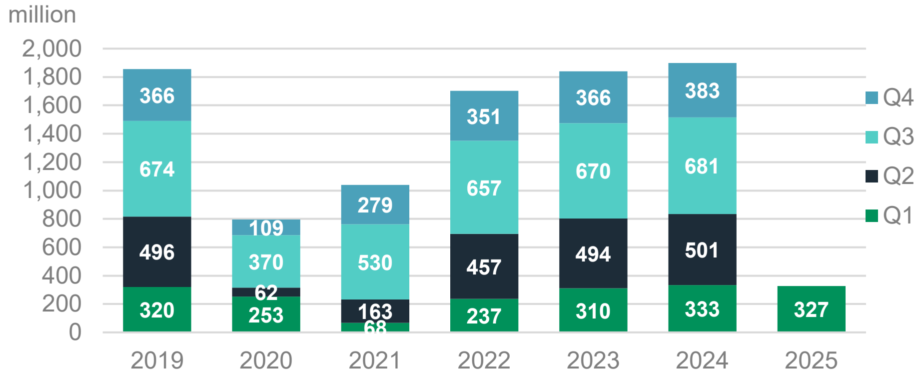
- In Q1 2025, tourism is expanding, growing +2% compared to Q1 2024. Europe remains the world's biggest market.
- Performance across Europe varies. Southern/ Mediterranean Europe had weaker performance due to a combination of very high temperatures and customers unwilling to pay higher prices.
- APAC had the strongest growth (+12% of tourist arrivals in Q1 2025 compared to Q1 2024), though it remains the last region with volumes under 2019.levels.

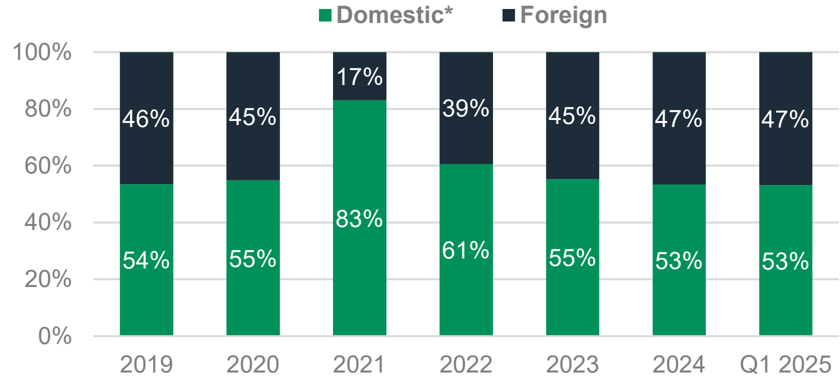
Sources: UN Tourism, BNP Paribas Real Estate Research

TOP DESTINATIONS IN EUROPE

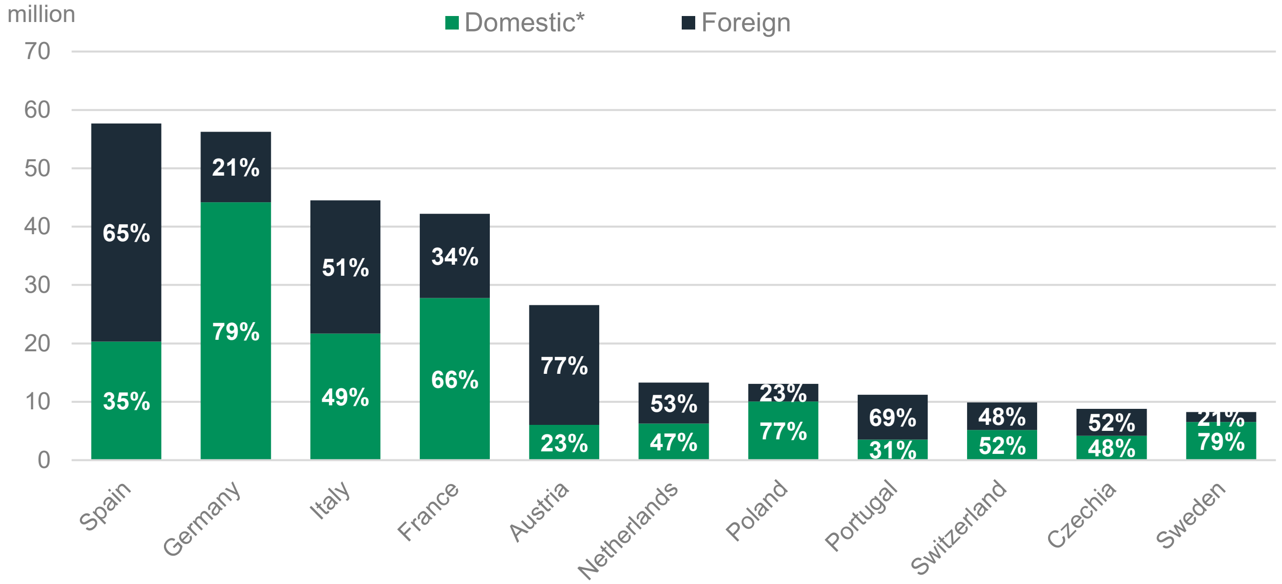
SLIGHTLY ABOVE 2019 LEVELS

Nights Spent at Tourist Accommodation Establishments (EU-27)





Nights Spent in Q1 2025



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

- Nights spent decreased by 2% in Q1 2025 (vs Q1 2024)
- International tourism has been particularly strong in Spain, Austria and Italy, whilst domestic tourism was predominant in Germany and France.

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

Sources: Eurostat, BNP Paribas Real Estate Research

REVPAR

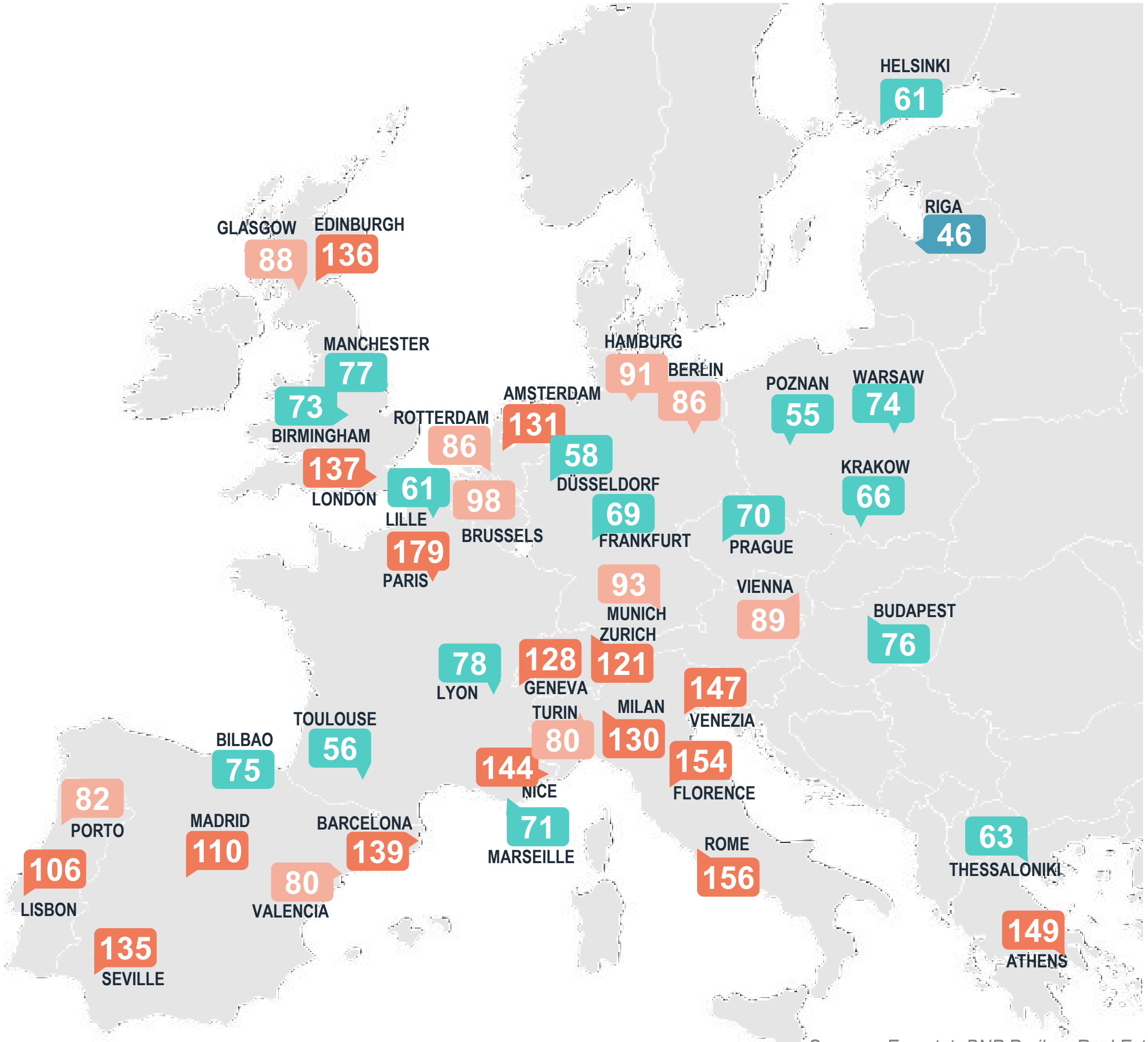
INCREASING IN MOST CITIES

H1 2025 vs H1 2024

BARCELONA	+3%
BERLIN	-3%
PARIS	+12%
ROME	+4%
LONDON	-2%
VIENNA	+5%
AMSTERDAM	=
WARSAW	+12%
LISBON	+2%
ATHENS	-1%
PRAGUE	+8%
BRUSSELS	=
BUDAPEST	+8%

≥ €100 €80-100

€50-80 < €50



Sources: Eurostat, BNP Paribas Real Estate Research

Mixed performance across Europe

- Overall, during the first half of 2025, RevPAR performance decreased in Germany and in the United Kingdom by roughly 1%.
- RevPAR has been stabilizing over the past few months, though a substantial increase of nearly 5% occurred in the upscale (luxury) sector.
- In central Europe, the performance has remained positive so far in 2025.
- Performance was more solid in Warsaw and Paris, each increasing by more than 12% compared to H1 2024.

02.

REAL ESTATE PERSPECTIVES

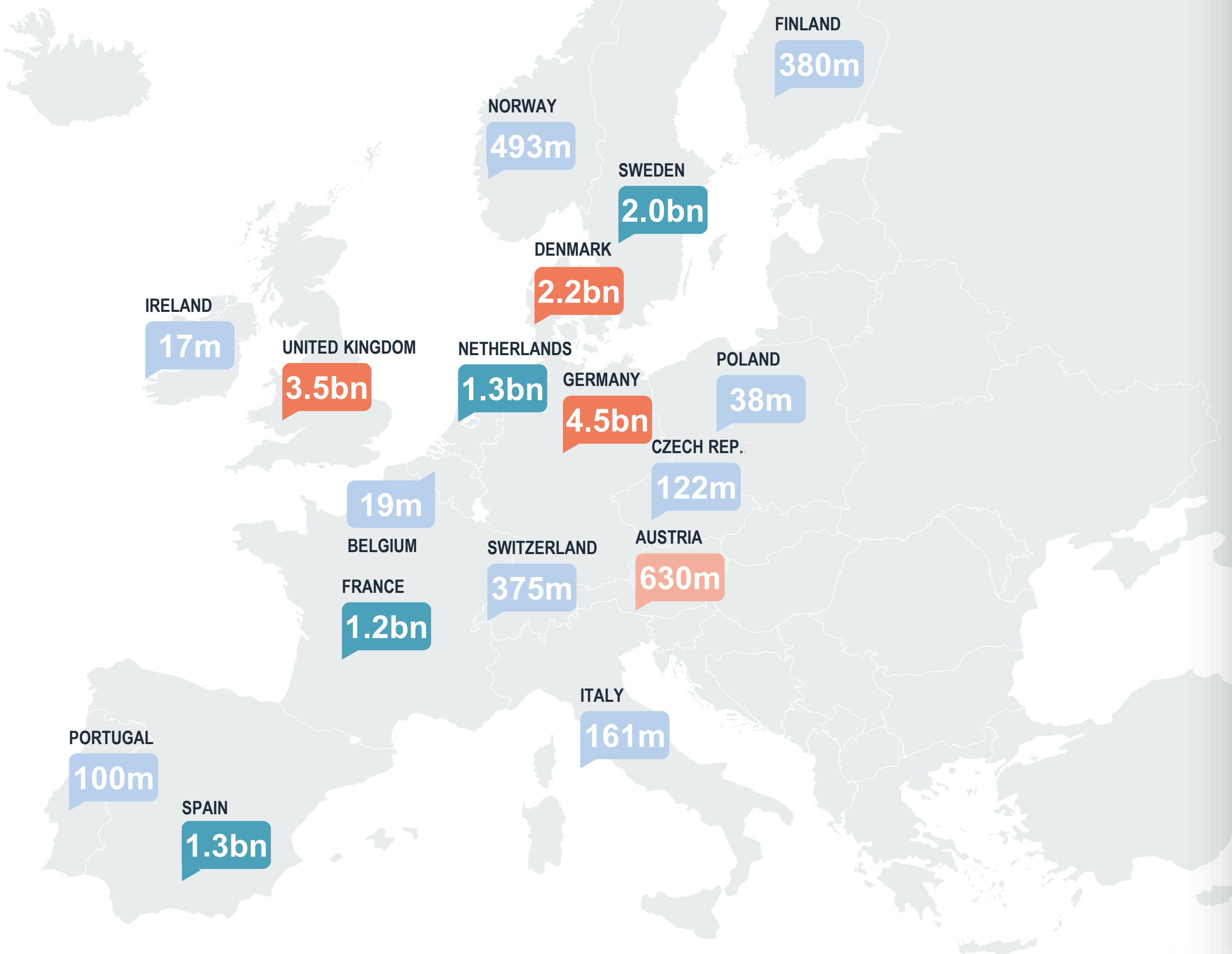
RESIDENTIAL MARKETS

RESIDENTIAL INVESTMENT VOLUME

SMALLER SCALE DEALS DRIVE ACTIVITY

6m 2025 vs 6m 2024

GERMANY	+36%
UNITED KINGDOM	-36%
FRANCE	-24%
NETHERLANDS	-31%
ITALY	+28%
SPAIN	+137%
POLAND	-51%
DENMARK	+89%
SWEDEN	+105%



> €2bn
€1bn - €2bn
€500m - €1bn
< €500m

Source: BNP Paribas Real Estate Research

EUROPE – H1 2025

€18.3bn

-1% vs. H1 2024

- Residential investment volume in Europe reached €18.3bn in H1 2025, a decrease of 1% even though there were more deals overall than H1 2024. Fewer very large-scale deals occurred in Q2 2025 where investment volumes decreased by 20% y/y.
- The underlying residential fundamentals remain positive. Strong disequilibrium exists between demand and supply in large urban cities. In these locations there are positive population and income growth and upwards pressure in the rental market.
- This sector faces two main challenges. The first is the threat of much tougher rental regulation across Europe. There is an inconsistent approach across Europe with some countries debating introduction of rental capping. The second is a lack of large lot sizes (portfolios especially) that enable investors to buy at scale.
- Nevertheless, even with these obstacles, the residential segment remains the first targeted sector in 2025 according to INREV's Investor Intentions survey.

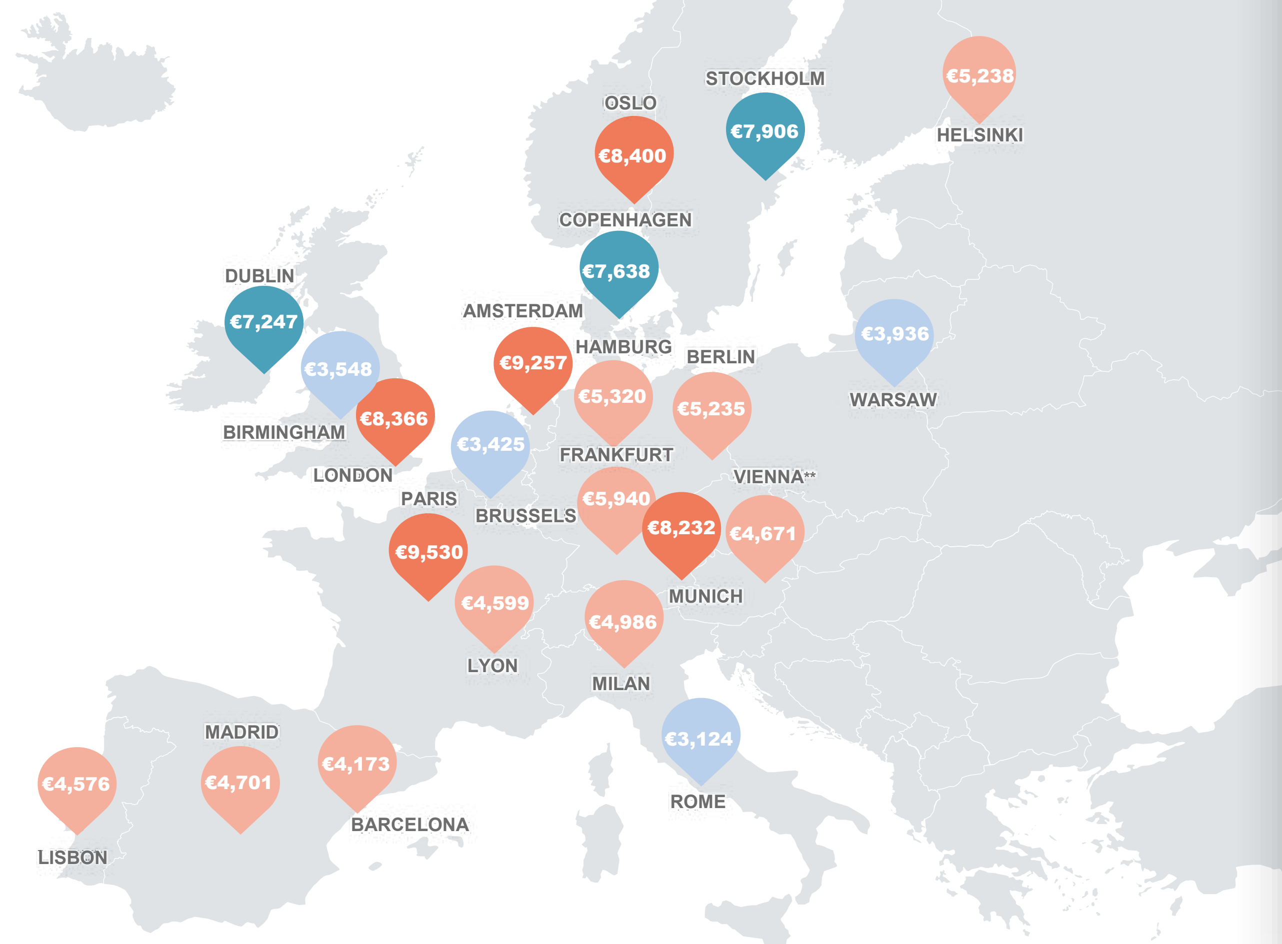
RESIDENTIAL PRICE* IN EUROPE (€/SQM)

HOUSE PRICES CONTINUE TO RISE

Q1 2025 vs Q1 2024

BERLIN	+3%
MUNICH	+4%
FRANKFURT	+7%
DUBLIN	+7%
LONDON	-2%
PARIS	+0%
AMSTERDAM	+8%
MADRID	+17%
BARCELONA	+11%
WARSAW	+14%
MILAN	=
COPENHAGEN	+15%
BRUSSELS	-9%

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



Sources: BNP Paribas Real Estate Research

*Net of transfer fees
**Q4 2024 value

EUROPE – Q1 2025

+5.5% vs. Q1 2024

- House prices across European cities expanded on aggregate by +5.5% in Q1 2025 vs Q1 2024.
- Compared to the Q1 2024, the 6 cities experiencing double-digit growth included Valencia (+21%), Madrid (+17%), Copenhagen (15%), Warsaw (+14%), Barcelona (+11%) and Manchester (+10%).
- High growth also occurred in Lisbon (+9% y/y), Stockholm and Amsterdam (+8% y/y), Birmingham, Oslo, Frankfurt and Dublin (+7% y/y).
- Rome grew by 3.4% y/y, the largest annual increase in residential prices since 2013 due to rapid growth in sales (+11%) in the city.
- In Q1 2025, house prices continued to fall in Lyon (-6% y/y) and London (-2% y/y). House prices fell also in Brussels by 9%.
- Among the 23 markets where house prices rose, 8 of them reached new highs, particularly in Spanish cities.

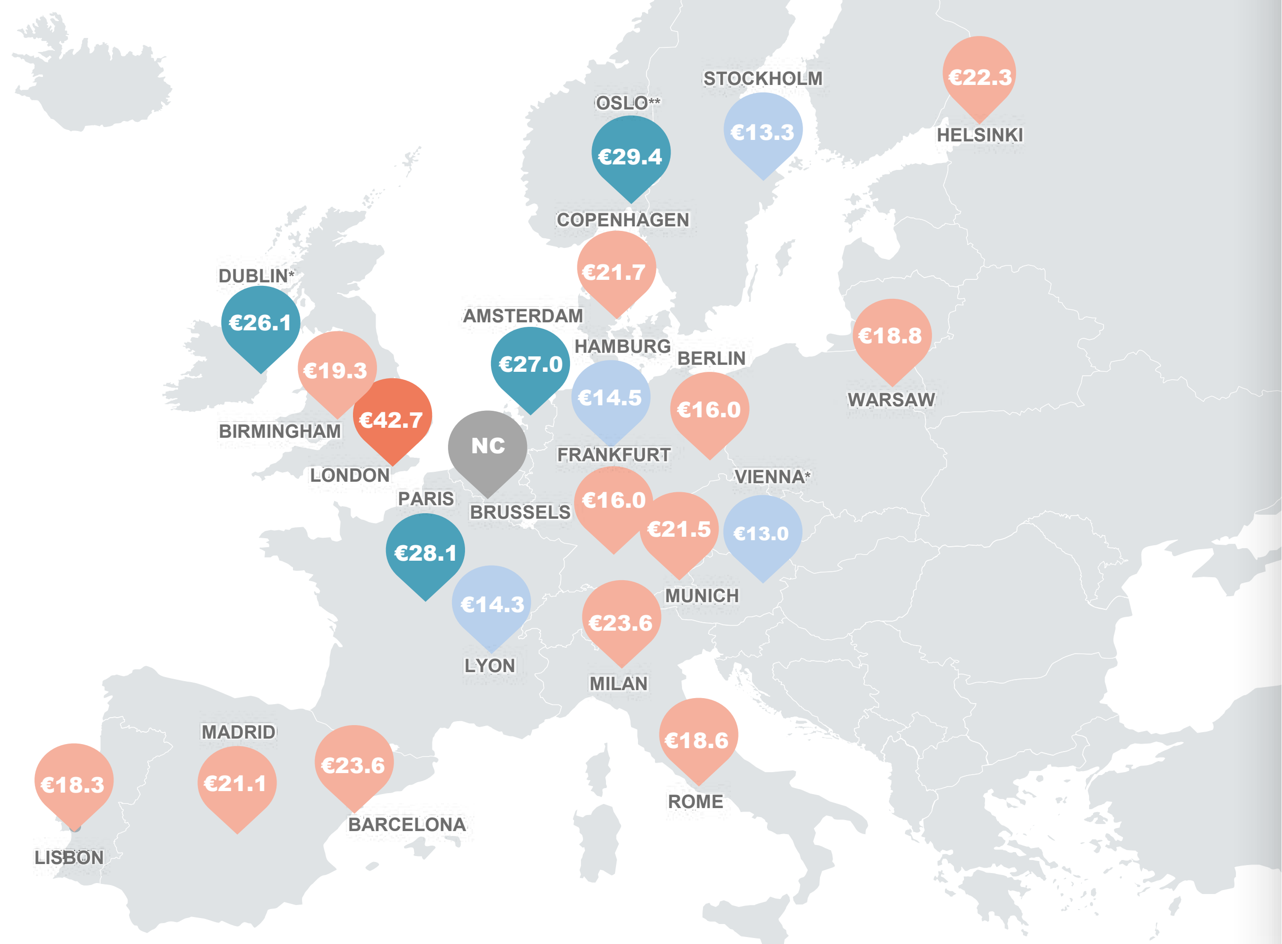
RESIDENTIAL RENTAL LEVEL IN EUROPE (€/SQM/M)

RENTS HIT NEW RECORD HIGHS IN 17 MARKETS

Q1 2025 vs Q1 2024

BERLIN	+6%
MUNICH	+6%
FRANKFURT	+7%
DUBLIN*	+6%
LONDON	+10%
PARIS	=
AMSTERDAM	=
MADRID	+12%
BARCELONA	+14%
WARSAW	=
MILAN	+1%
COPENHAGEN	+2%
HELSINKI	=

≥ €35 €25-35
€15-25 ≤ €15



Sources: BNP Paribas Real Estate Research

*Q4 2024 value
**Q2 2024 value

EUROPE – Q1 2025
+3.7% vs. Q1 2024

- Residential rental values across European markets were still expanding in Q1 2025 at +3.7% 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 (+16% y/y), Barcelona (+14% y/y), Valencia and Madrid (+12% y/y), and London (+10% y/y).
- Disparities in rent growth mainly occurred in Italian and Dutch cities, with 1% y/y growth in Milan vs 16% in Rome, and 0% in Amsterdam vs 7% in Rotterdam.
- Rents mainly fell in British cities: Edinburgh (-8% y/y), Manchester (-7% y/y), Birmingham (-5% y/y).

02.

REAL ESTATE PERSPECTIVES

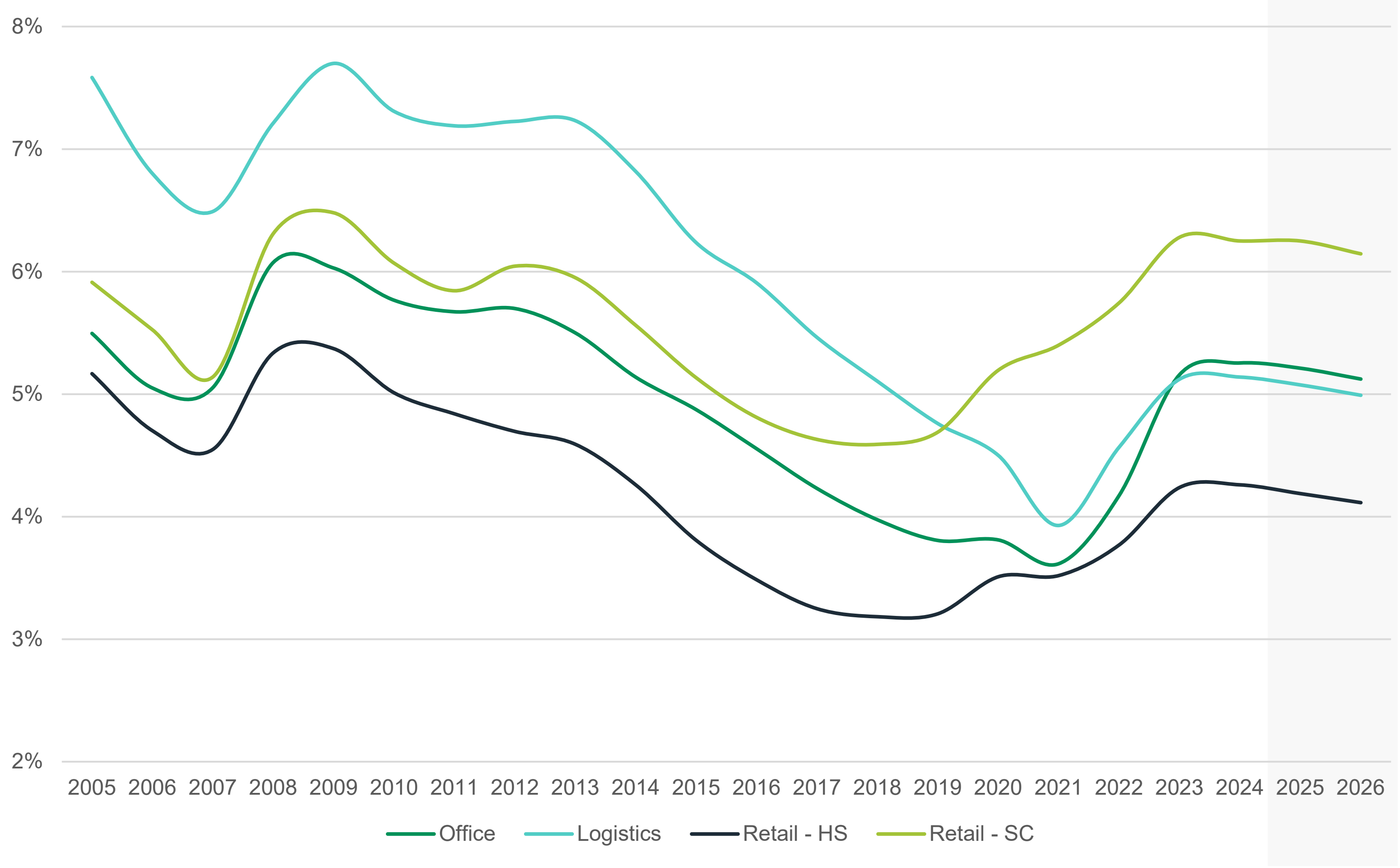
HOUSEVIEW

AVERAGE PRIME YIELDS IN EUROPE

BASED ON 37 MARKETS

A Cautious Compression in Prime Yields Emerges

- The global macroeconomic environment remains challenging and investor sentiments continue to be clouded by concerns over public finances and uncertainty over trade policy and the inflationary landscape.
- In this regard we expect the policy rate for both the ECB and the BoE to remain at their current level for the rest of 2025; at 2.00% and 4.00%, respectively.
- However, market participants are demanding higher returns to compensate for rising long term inflation risk and deteriorating public finances. As such long-term interest rate, particularly 10yrs government bond yields, are rising in most European countries. This upward movement in yields is challenging valuation in European real estate.
- For core grade A assets, a robust rental growth expectation, as it is now, is crucial to maintain current yields and the focus of investors is on this segment of the market. However, for non-core assets, we are likely to see some outward yield movement in the short term.



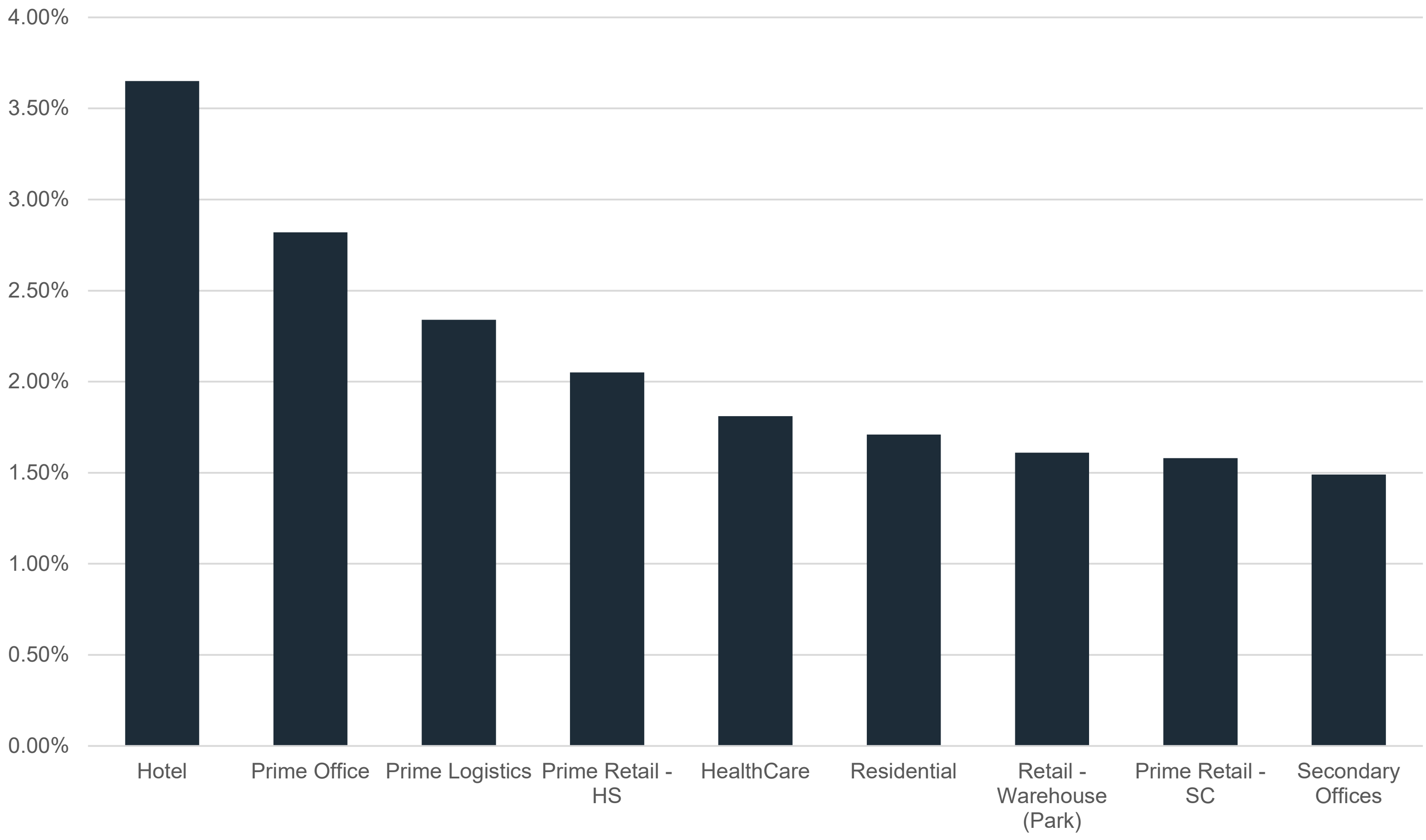
Source: BNP Paribas Real Estate, August 2025

AVERAGE RENTAL GROWTH IN EUROPE

BY SECTOR (2025 – 2029 %, P.A.)

Limited Supply will Support Prime Rental Growth

- 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. And cost of construction has also risen on the back of high inflation rates.
- 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 **Hotels** 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 falling rental values over the past four years, **retail** is beginning to see real rental growth again, even if marginally and for high street retail, on the back of good economic growth.
- Other alternative asset classes such as **residential and healthcare** also present an interesting prospect.



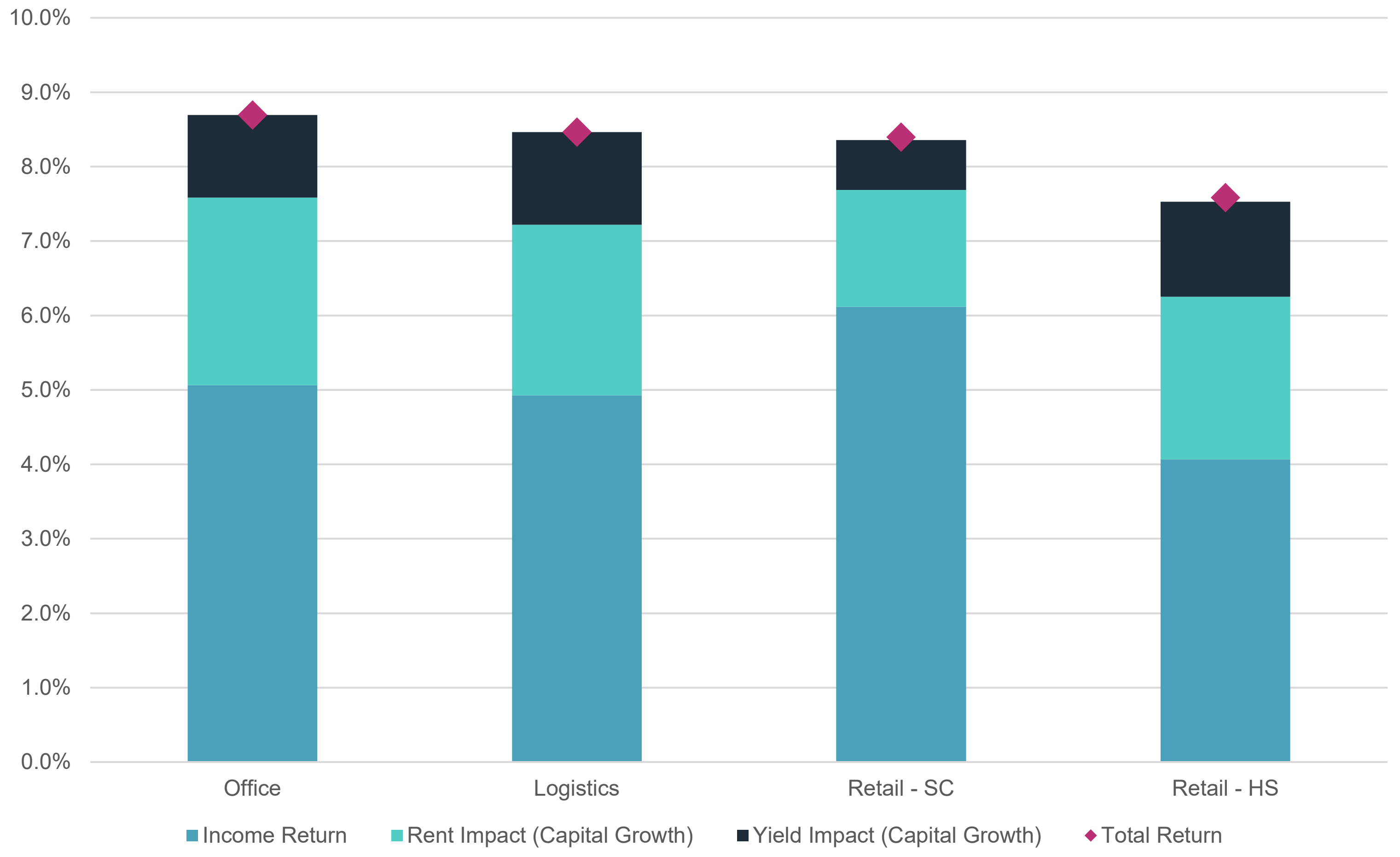
Source: BNP Paribas Real Estate, August 2025

PRIME TOTAL RETURN IN EUROPE

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

Stable Expected Returns

- The European economies have stabilized in recent quarters, underpinning a positive occupier market, particularly for prime assets. This is sustaining good rental growth across most sectors. Together with historically high yields have contributed to an anticipated high single digit average total returns over the next five years.
- For **prime office** we anticipate an average 9.0% total return per annum, with just under half of this due to a rental impact driven capital growth.
- 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 accounts for a bit more of the value than in the office sector.
- The **retail** sector continues its recovery with differentiated performance by the different formats. **Shopping Centres,** with elevated yield, have higher relative total return than **high street retail** due to its structurally low yields, even if it has a higher capital growth.



Source: BNP Paribas Real Estate, August 2025

LOCATIONS

EUROPE

FRANCE
Headquarters
50, cours de l'Ile 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

BNP PARIBAS REAL ESTATE, is a simplified joint-stock company with capital of €669,873,760 and headquarters at 50, cours de l'Île Seguin – CS 50 280 – 92650 Boulogne-Billancourt - France, registered on the Nanterre Trade and Companies Register under no. 692 012 180 – APE 7010 Z Code – Identification Number CE TVA FR 66692012180. Address: 50 cours de l'Ile Seguin - CS 50280 - 92650 Boulogne-Billancourt Cedex. Phone: +33 (0)1 55 65 20 04 Fax: +33 (0)1 55 65 20 00 - www.realestate.bnpparibas.com. BNP Paribas Real Estate is part of the BNP PARIBAS Group (art. 4.1 of the French law 70-9, 02/01/70)

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

BNP Paribas Real Estate Disclaimer Clause

KEEP IN TOUCH WITH US, WHEREVER YOU ARE

#BEYONDBUILDINGS

www.realestate.bnpparibas.com