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REIM VALUE FROM VALUES

REAL ESTATE CONVICTIONS

2025 – Q1

An Asset Manager's View of the European Real Estate Markets

May 2025

ECONOMIC AND REAL ESTATE CONTEXT

“Just as the global economy appeared to have regained a degree of stability, uncertainty intensified when the U.S. administration opted to raise tariffs on the rest of the world, sending stock markets into turbulent zones. Negotiations are ongoing to find solutions. At the same time, the prospect of potential interest rate cuts by central banks has gradually increased investors’ appetite for real estate—particularly in Europe—viewed as an asset capable of delivering a steady income return.”

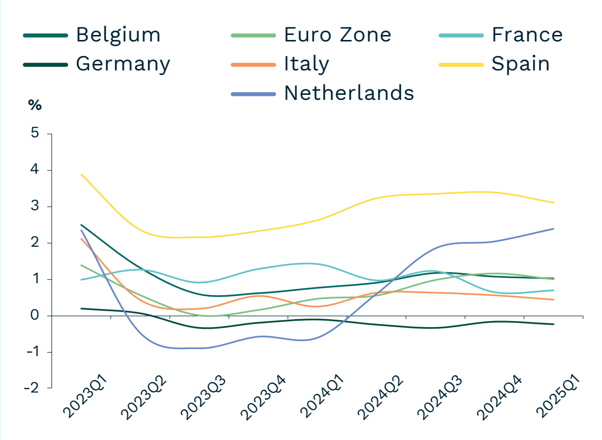
Henry-Aurélien Natter,
MRICS, Head of Research.

The increase in so-called “reciprocal” tariffs, in retaliation for American products deemed overly taxed, came into effect at the beginning of April. This decision destabilized various global stock markets, which experienced significant volatility. At the same time, negotiations have been initiated with the goal of resolving the points of contention. Furthermore, although the tariff rates are not intended to be maintained, they will have asymmetric effects on growth. **As a result, global GDP has been revised downwards, now projected at +2.8% for 2025. For the time being, the scenario of further corrections should not be ruled out.**

The Euro Zone saw its GDP for 2025 cut by 30 basis points compared with the previous quarter and now stands at +0.9% year-on-year. The risk of recession for the Euro Zone is still considered unlikely. It is the trade war and its countermeasures that are posing risks to growth. On the other hand, experts now believe that trade tensions are likely to be more disinflationary than inflationary in Europe due to a possible influx of low-cost Chinese products. This context once again led the European Central Bank to cut its key interest rates by a quarter of a point on 17 April 2025, bringing the deposit rate to 2.25%. The ECB will continue to monitor the effects of the trade war as the scenario of an economic slowdown this autumn gains ground and could bring the deposit rate below the estimated neutral rate of 2%.

Sovereign bond yields in Europe have not been spared and are under pressure from investors due to the current environment.

QUARTERLY GDP GROWTH OF THE MAIN COUNTRIES IN THE EURO ZONE



Annual GDP growth of the main countries in the Euro Zone (en %)

Country	2023	2024	2025 (p)
Spain	2.7	3.2	2.5
France	1.1	1.1	0.5
Belgium	1.3	1.0	1.1
Netherlands	0.1	1.0	1.1
Euro Zone	**0.5**	**0.8**	**0.9**
Italy	0.8	0.5	0.6
Germany	-0.1	-0.2	0.0

10-YEAR GOVERNMENT BOND YIELDS FROM 2016 TO 2025 Q1

Investment volumes remained stable between the first quarter of 2025 and the first few months of 2024. As a result, capital flows totalled nearly €40 billion on the European real estate investment market in the first three months of 2025.

The distribution of real estate investment volumes was concentrated in six countries, accounting for 92% of the total: the United Kingdom (31%), Germany (28%), France (13%), Spain (8%), Italy (6%), and the Netherlands (6%). On a quarterly basis, the share of the United Kingdom, Germany, France, Spain and Italy increased. The Netherlands maintained the same share.

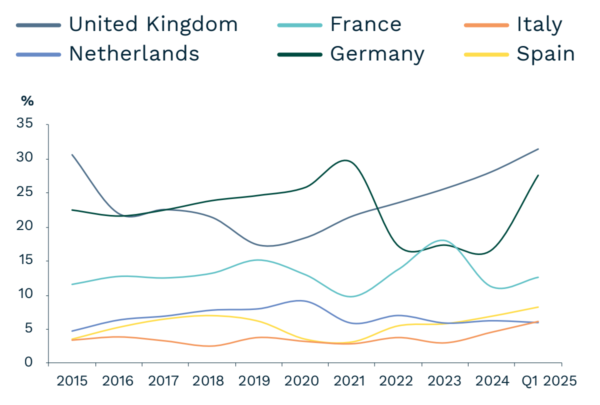
Several trends are worth noting this quarter with regard to capitalisation rates at acquisition. Firstly, hotels and retail are asset classes that have experienced a period of stabilisation or even a compression of their average capitalisation rates. This reflects a certain appeal among investors for these asset classes and for high-quality properties. The second trend concerns logistics and healthcare, which have seen their Capitalisation rates stabilise over several quarters. Finally, for offices and residential properties, investors prefer higher returns resulting in an increase in average Capitalisation rates on acquisition this quarter.

By asset class, three major sectors are emerging:

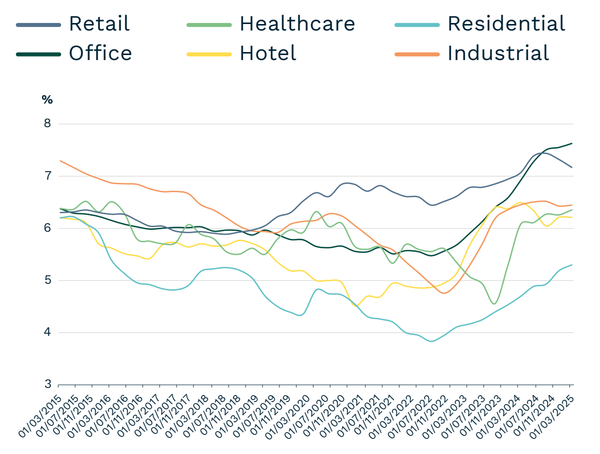
- the first is consumption (retail and logistics), which accounts for 43% of investment volumes;
- the second is housing and services (residential, hotels and healthcare), with 36% of investment volumes;
- the third cluster is business, which includes the office asset class, accounting for 21% of capital.

In terms of capital flows, investors favoured their domestic market (50%), which was dominated by private investors (26%), institutional investors (15%), listed real estate companies (3%) and users (6%). International capital flows outside Europe accounted for around 23% of investments. North American (US and Canadian) and Asian (particularly Singaporean) investors were the most active.

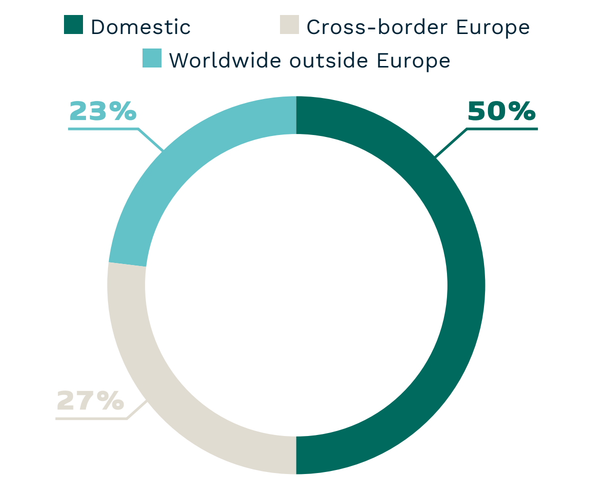
BREAKDOWN OF INVESTMENT VOLUMES BY COUNTRY



YIELDS (CAP RATE) ON ACQUISITION



BREAKDOWN OF CAPITAL FLOWS BY INVESTOR ORIGIN IN Q1 2025



For four consecutive quarters, European real estate performance confirmed its return to positive territory, thanks to the ECB's monetary easing policy.

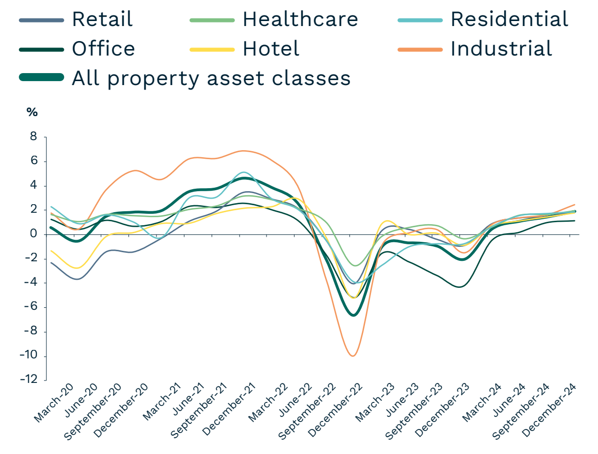
After being severely impacted by the sharp rise in interest rates, real estate performance gradually shifted gear, posting four consecutive quarters of growth. As a result, average performance was positive for the whole of 2024 in Europe.

The successive cuts in key ECB interest rates were beneficial for capital growth. Similarly, the controlled inflation trend was a positive factor that boosted rental yields. The combination of these two factors enabled total returns to remain positive throughout 2024.

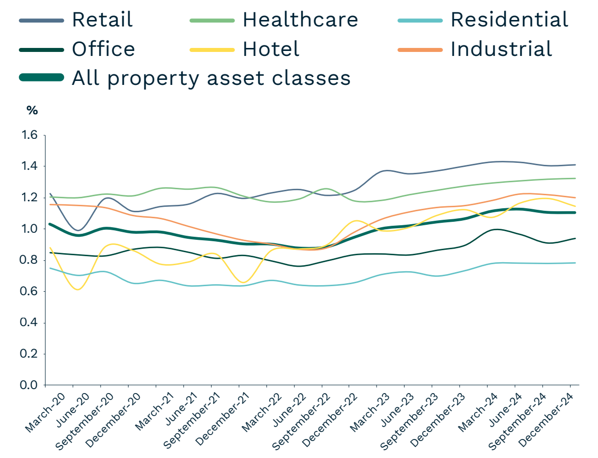
In terms of capital trend, we are approaching the tipping point for the start of a new expansion cycle. However, the current uncertain environment calls for caution. Since June 2024, the total return for all asset classes analysed (office, retail, logistics, healthcare, hospitality and residential) has moved into positive territory in Europe. Rental performance continues to drive overall returns. Performance is improving steadily on a quarterly basis. Questions remain about the consolidated capital performance of certain markets/assets in 2025 due to certain weaknesses: structural vacancy or refinancing difficulties.

Three trends are worth noting at country level. The first is that all the main countries analysed have posted positive quarterly total returns since the end of December 2023, driven by rental income and then by an improvement in capital growth. The rise in long-term interest rates is once again impacting the total return trend. The second trend is that, after an acceleration in performance, the trend slowed significantly in the last quarter of 2024. Finally, the Netherlands and Spain are the two countries with the best performance in the last quarter analysed.

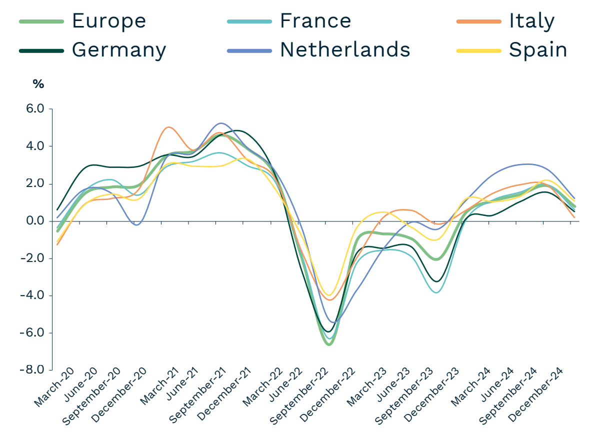
TOTAL REAL ESTATE PERFORMANCE IN EUROPE (QUARTERLY)



INCOME RETURN OF REAL ESTATE IN EUROPE (QUARTERLY)



TOTAL RETURN OF MAJOR COUNTRIES (QUARTERLY)



OFFICES

INVESTMENT IN EUROPEAN OFFICE REAL ESTATE – 2025 Q1 (3 MONTHS)	**€8.5 Bn**
EMPLOYMENT TREND – Q1 2025 / Q1 2024	↗

The volume of investment in office real estate in Europe totalled €8.5 billion in the first quarter of 2025, compared with just over €9.5 billion in the same period in 2024. Investment volumes therefore slowed down. The United Kingdom is Europe's leading office market, with more than €3 billion invested in the first three months of 2025, followed by Germany and France with volumes of between €1 billion and €2 billion. Italy, the Netherlands and Spain each totalled less than €1 billion in these markets.

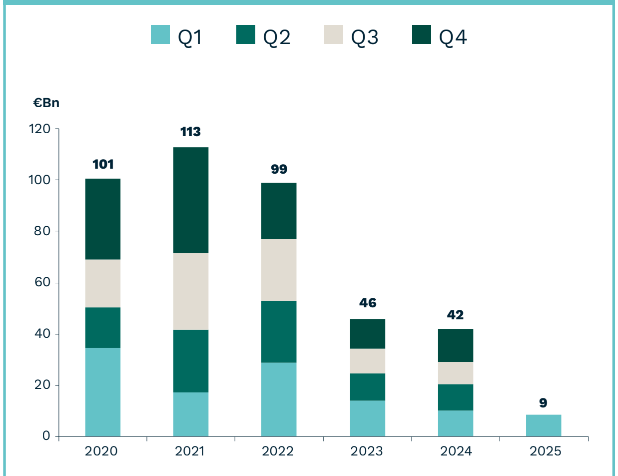
Yields for prime office space and secondary locations remained largely stable in the first quarter of 2025 compared with the end of 2024. Compressions were noted in a quarter of European markets. The easing of pressure from lower key interest rates therefore enabled office markets to record compressions of between 10 and 50 basis points in Italy, Spain, the Netherlands and France, for example. Offices in central districts with yields below 5.0% are located in cities such as Paris, Milan, Munich, Berlin, Madrid and Barcelona. An additional 100 to 300 basis points should be added for secondary locations in these same markets.

The European user market experienced a slight decline in take-up in the first quarter of 2025. Approximately 2.7 million square metres were taken up in the first quarter of 2025, slightly below the same period in 2024, while the market continued to create jobs. However, the momentum of job creation slowed in line with the Trump administration's announcements regarding tariff increases and their recessionary risks for the global economy. The Paris region, the largest market in continental Europe, slowed in the first quarter of 2025, with 420,000 m² leased (-5% year-on-year), followed by Munich/Berlin, Madrid and Milan with 100,000 m² to 200,000 m² transacted in each of these markets.

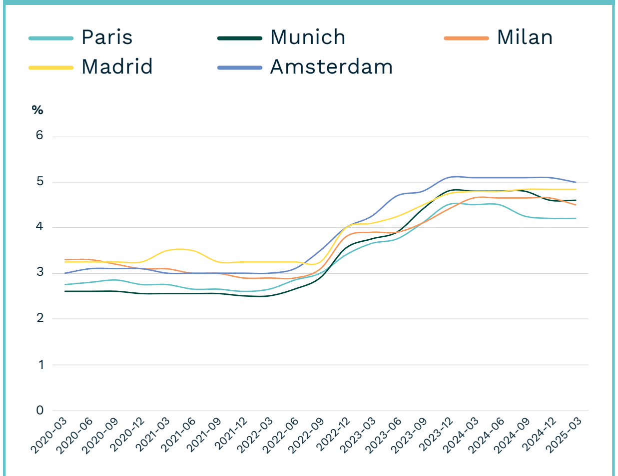
Supply was on the rise between the first quarter of 2025 and the fourth quarter of 2024. All markets are affected by this increase in vacancy rates, although central districts still have low vacancy rates. While Paris intra-muros still has a vacancy rate of less than 5%, Berlin, Munich and Amsterdam have vacancy rates of between 7% and 10%. The situation is more worrying in Barcelona, Madrid and Frankfurt, where vacancy rates are structurally above 10%. Due to the structural vacancy in certain neighbourhoods, the conversion of obsolete office space remains a topical issue.

Rents rose slightly between the end of 2024 and the first quarter of 2025. Prime rents in Paris' central business district stabilised at €1,200/m² for the most sought-after properties. La Défense-Paris, Dublin, Berlin, Munich, Milan and Rome offer rents of between €500 and €750/m². Brussels, Madrid and Barcelona have rents of around €300-550/m². Accompanying measures (rent-free periods) are up slightly year-on-year. The highest rent-free periods are offered in markets with significant supply or in less attractive areas in order to attract users.

OFFICE INVESTMENT VOLUME IN EUROPE



PRIME YIELD IN OFFICE REAL ESTATE



RESIDENTIAL

RESIDENTIAL REAL ESTATE INVESTMENT IN EUROPE – 2025 Q1 (3 MONTHS)	**€9 Bn**
HOUSEHOLD INCOME TRENDS IN THE EURO ZONE – 2025 Q1 / 2024 Q1	↗

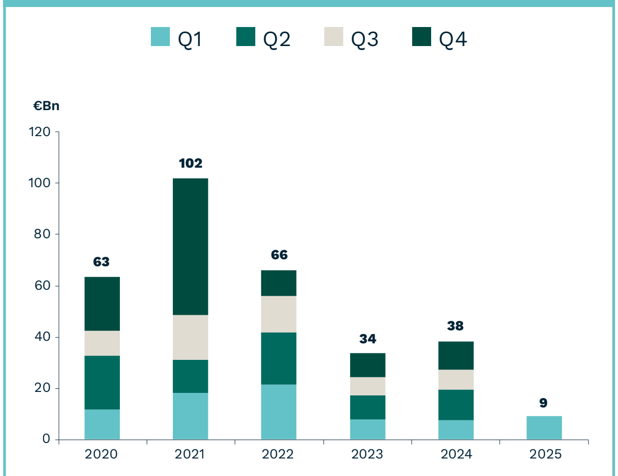
The volume of residential "block" investment in Europe rose sharply year-on-year. The market totalled just over €9 billion in the first quarter of 2025, compared with less than €8 billion a year earlier. Germany and the United Kingdom captured a large share of the capital, with between €2 billion and €4 billion of investment. France also stood out with more than €1 billion. Finally, the Netherlands and Spain totalled between €500 million and €1 billion in transactions.

Housing prices in the Euro Zone rose in the first quarter of 2025, in line with increasingly affordable real estate loans. However, geopolitical tensions, putting pressure on European government borrowing, could moderate this momentum. This quarter, prices rose in Spain (+2.3% q/q), Portugal (+1.6%), the Netherlands (+1.4%), Belgium (+0.8%), Finland (+0.7%), Ireland (+0.6%), Austria (+0.4%), France (+0.3%) and Germany (+0.1%), but fell in Italy (-0.3%). Easing lending rates, limited supply, a resilient labour market, high savings rates and wage momentum contributed to the positive price dynamics. However, year-on-year, some markets still showed negative price variation compared to Q1 2024 (Austria, Finland, France).

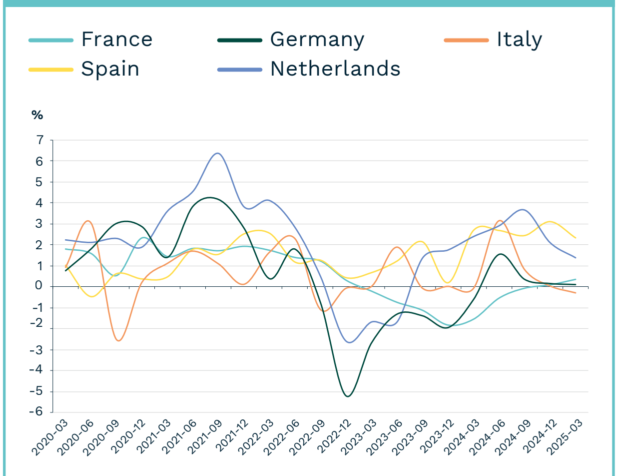
Prime yields remained largely stable in the first quarter of 2025 compared with the end of 2024. This trend was observed in the multifamily and student housing categories. In the Euro Zone, Amsterdam, Berlin, Brussels, Paris, Milan and Munich had prime yields of between 3.0% and 4.75% for the multifamily category. For student residences, prime yields are in a high but narrow range between 4.0% and 5.0% for these same cities.

With regard to the European residential construction sector, although 2024 was marked by a sharp downturn, the first few months of 2025 point to a recovery trend. Residential construction costs have remained stable in recent surveys, and we are no longer seeing the inflationary spiral that characterised 2022 and 2023. Some markets even saw declines in raw material costs in the first few months of 2025. However, due to geopolitical uncertainties, if tensions were to increase, volatility would return.

VOLUME OF RESIDENTIAL INVESTMENT IN BLOCK IN EUROPE



RESIDENTIAL PRICE TRENDS (QUARTER-ON-QUARTER)



HEALTHCARE

HEALTHCARE PROPERTY INVESTMENT IN EUROPE – Q1 2025 (3 MONTHS)	**€1 Bn**
TREND IN THE NUMBER OF PEOPLE AGED 65 AND OVER 2025/2024	↗

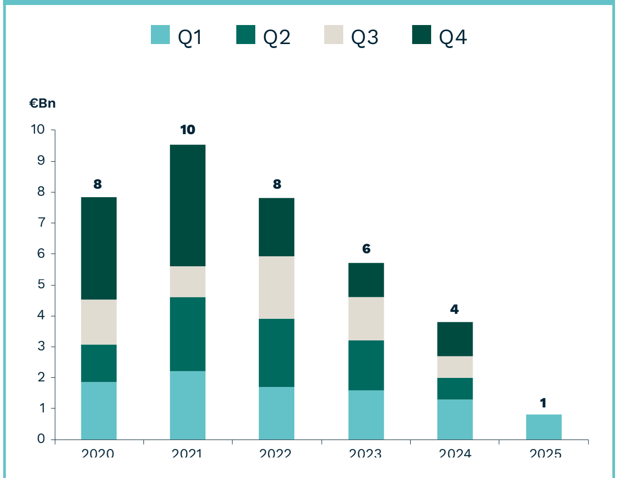
Healthcare real estate (senior residences and nursing homes) totalled just under €1 billion in the first quarter of 2025. Investment volumes were concentrated in Germany and the United Kingdom this quarter.

Between the end of 2024 and the first quarter of 2025, all the markets analysed remained stable for all types of healthcare real estate (hospitals, retirement homes, nursing homes). France, the United Kingdom, Germany, the Netherlands, Italy, Spain, and Sweden have prime yields of between 4.0% and 6.0% for nursing homes. Following the latest adjustments, a period of stability is expected to continue for several quarters. Prime yields for clinics ranged between 5.0% and 6.0% in France, Germany, the Netherlands, Italy and the United Kingdom.

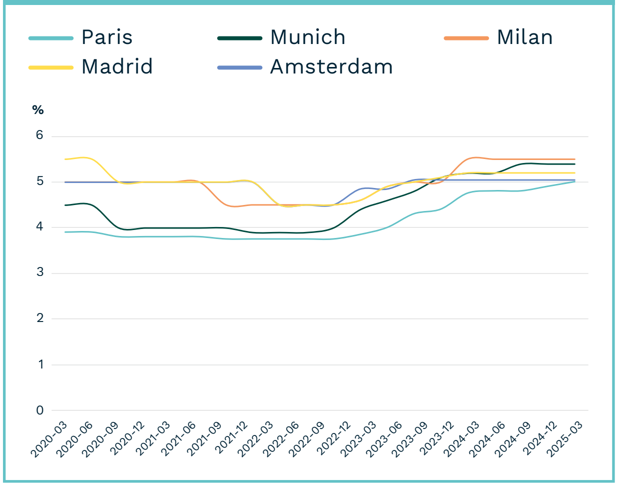
Overall healthcare spending is high in Europe, although the issue of budget rationalisation remains relevant in early 2025. The ageing population will inevitably lead to increased spending. For example, the European Union currently has around 4 million beds in nursing homes. However, the increase in the number of people aged over 75 has already had a clear impact on the supply deficit. The bed shortage is estimated at around 1.6 million beds by 2040, representing a potential investment of nearly €200 billion to cope with the growth in the number of dependent elderly people. Germany, France, Italy and Spain are among the countries with the greatest needs, all other things being equal. On the other hand, Europe's nursing home stock is also facing a problem of obsolescence requiring renovation in the short term. At the same time, it is interesting to note that the rise of new technologies is transforming medicine by improving the quality of care while optimising the costs and efficiency of the healthcare system.

The number of people aged over 65 rose in the first quarter of 2025, bringing the proportion of the Euro Zone population to 21.9%, up more than 0.42 percentage points compared with the end of 2022. This growth in the senior population in all European countries is creating pressure to meet demand for healthcare real estate. In France, the population aged 75 and over will rise from 7.5 million in 2025 to 8.1 million in 2030. In Germany, the same population will rise from 9.3 million to 9.8 million, in Italy from 7.5 million to 8.0 million and in Spain from 5.0 million to 5.6 million. These increases will put pressure on the healthcare system and on the need for beds.

INVESTMENT VOLUME IN RETIREMENT AND NURSING HOMES IN EUROPE



PRIME YIELD RATES FOR HEALTHCARE REAL ESTATE



HOSPITALITY

HOTEL PROPERTY INVESTMENT IN EUROPE – Q1 2025 (3 MONTHS)	€4 Bn
EXPECTED TOURIST ARRIVALS IN EUROPE – 2025/2024	↗

The European hotel property market totalled just over €4 billion in the first quarter of 2025, compared with more than €6 billion in the same period in 2024. This quarter, 66% of capital was concentrated in four markets: Germany, Italy, France, and the United Kingdom. Spain, Greece, and the Netherlands saw investment flows of less than €500 million each.

Between the first quarter of 2025 and the fourth quarter of 2024, the trend is mostly stable, although some marginal compression has been observed. Prime yields for hotels under lease agreements, based on rental profitability, have remained largely stable. Prime yields are positioned between 4.5% and 8.5%. London, Milan, Madrid, and Paris offer prime yields of between 4.5% and 5.5%. Prime yields for hotels under management contracts, which allow hotel owners to capture both the value of the business and the value of the property, offer prime yields in Europe of between 5.75% and 8.75%. Yields remained largely stable in this category.

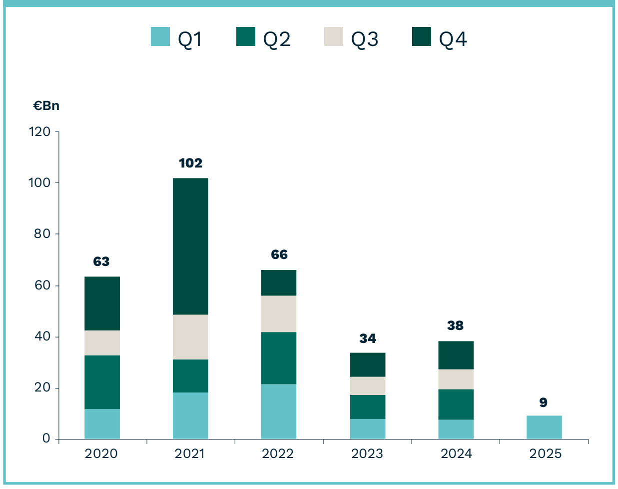
The number of air passengers travelling to Europe accelerated in January 2025. European airlines recorded an 8.6% year-on-year increase in demand. The load factor in transport stood at 79.2% (+1.8 percentage points compared to January 2024).

Among the various European markets, the French market could prove quite promising this year with a sharp increase in revenue and international arrivals. However, if purchasing power declines in a context of rising customs duties, tourists may be encouraged to reconsider their plans for distant destinations.

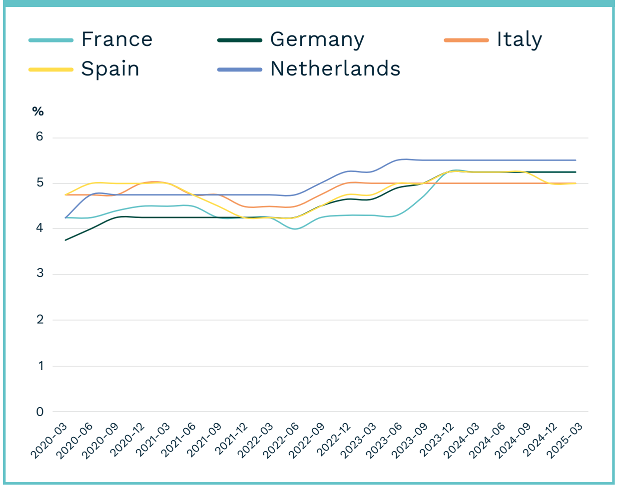
Hotel indicators stabilised at the end of February 2025. The hotel occupancy rate in Europe stood at over 59% at the end of February 2025, a slight improvement. The average price remained relatively stable at €131 year-on-year, compared with €132 for the same period in 2024. RevPAR stood at €78, compared with €77 a year earlier. RevPAR growth was particularly strong in Southern Europe at the beginning of the year (Spain, Italy, and Portugal). By category, only budget hotels enjoyed an occupancy rate of around 65%. The other categories ranged between 50% and 60%.

One of the main challenges facing European tourism in 2025 will be managing overtourism. Tourists are increasingly seeking to avoid crowded popular destinations and are turning to alternative locations instead. This trend reflects a growing desire to enjoy authentic experiences while minimising the negative effects of mass tourism.

INVESTMENT VOLUME IN THE HOTEL SECTOR IN EUROPE



PRIME YIELD RATES IN THE HOTEL INDUSTRY



RETAIL

COMMERCIAL REAL ESTATE INVESTMENT IN EUROPE – Q1 2025 (3 MONTHS)	**€7.5 Bn**
TREND IN DEFLATED RETAIL SALES IN THE EURO ZONE – 2025 Q1/ 2024 Q1	↗

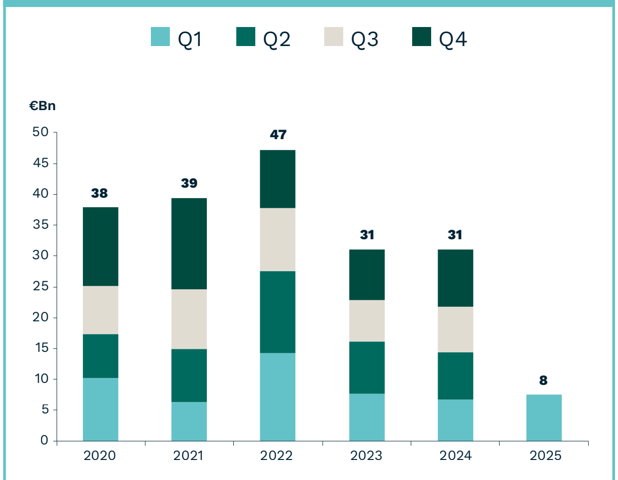
With €7.5 billion, the volume of investment in commercial real estate increased between the first quarter of 2025 and the first quarter of 2024 (+10% year-on-year). The United Kingdom, Germany, and Spain were the most active markets with between €1 billion and €3 billion in investment. Spain had a truly remarkable start to the year, confirming the trend observed in 2024. Italy and France, meanwhile, recorded less than €1 billion in commitments in their respective markets. The Netherlands totalled around €300 million in capital inflows. Investors favoured attractive locations with high footfall that could generate dynamic turnover for retailers.

Prime yields for ground-level retail and shopping malls remained largely stable in the first quarter of 2025, but compression was noted in a few prime markets. The change in momentum is confirmed for ground-level retail, with compression recorded in Italy, the Netherlands and Spain. The trend is similar for shopping malls, with compression in Spain, Portugal, and Austria. Prime yields for ground-level retail units in Madrid, Milan, Amsterdam, Munich, and Paris ranged between 3.75% and 4.25%. For shopping malls, prime yields ranged between 4.6% and 9.0% in Europe.

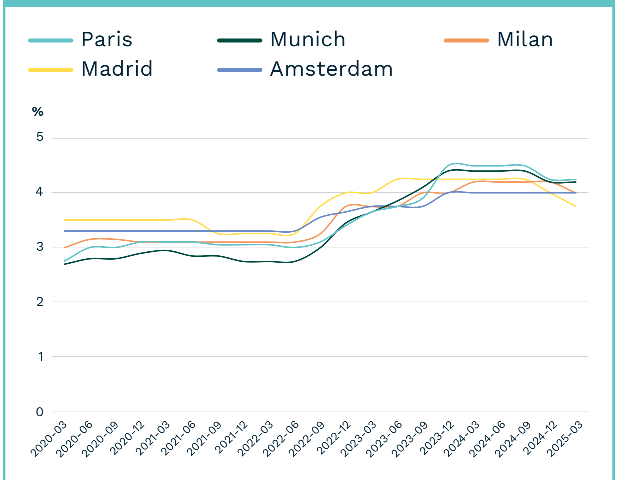
Rental values for ground-level retail remained stable in Europe during the first quarter of 2025. Only Spain and Italy recorded significant increases. **Rental values for shopping malls were also stable during the first quarter.** Italy was the only country to see increases in average rental values.

Leading indicators continue to show a paradox, with highly volatile consumer confidence in the first quarter of 2025 on the one hand, and continued growth in labour compensation on the other, against a backdrop of rising wages and falling inflation. The situation must therefore be monitored, as there is a risk of a negative demand shock in the short term due to the confidence effect. Households that are increasingly concerned about uncertainty are likely to increase their precautionary savings, which will dampen consumer demand. For the time being, retail sales grew by 2.1% in value in the Euro Zone, with Spain, Germany, and the Netherlands outperforming in the first quarter of 2025. Some countries reported sales below the inflation rate, which may indicate increased competitive pressure for certain companies or sluggish demand due to economic and geopolitical uncertainties.

VOLUME OF RETAIL INVESTMENT IN EUROPE



PRIME YIELD RATE FOR GROUND-LEVEL RETAIL PROPERTIES



LOGISTICS

INVESTMENT IN LOGISTICS REAL ESTATE IN EUROPE – 2025 Q1 (3 MONTHS)	€9 Bn
E-COMMERCE REVENUE TREND IN EUROPE EXPECTED BY 2029	↗

Logistics recorded a slight increase in investment volume overall in the first three months of 2025 compared with the same period in 2024. The European logistics real estate market totalled more than €9 billion in the first quarter of 2025. Capital was concentrated in the United Kingdom and Germany, with between €2 billion and €3 billion invested in these two markets, followed by France and the Netherlands with around €1 billion in each of these markets. Italy and Spain had investment volumes of between €500 million and €1 billion.

Prime yields in logistics in Europe remained stable in the first quarter of 2025, but there were some declines in several markets, particularly in Spain and Italy. Yields in logistics in Germany, the Netherlands, France, Belgium, Spain, and Italy ranged between 4.4% and 6.0%.

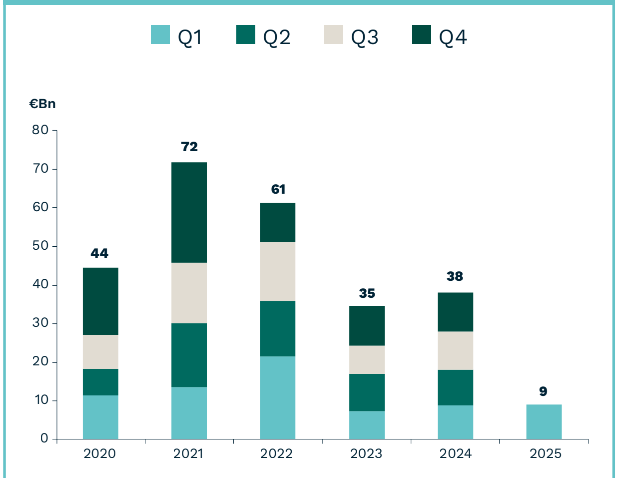
The rental market picked up momentum compared to the low point in the last quarter of 2024. Net warehouse take-up totalled around 3 million square metres in the first quarter of 2025, up from 2 million square metres in the fourth quarter of 2024. The markets with the highest take-up were Italy, Germany, Poland, and the Netherlands.

Rents showed a very slight but widespread upward trend in the first quarter of 2025. Average prime rents for the best warehouses rose by between 0.2% and 2.0%. Germany, the Netherlands, Spain, Belgium, and France have rents ranging from €63/m² to €105/m².

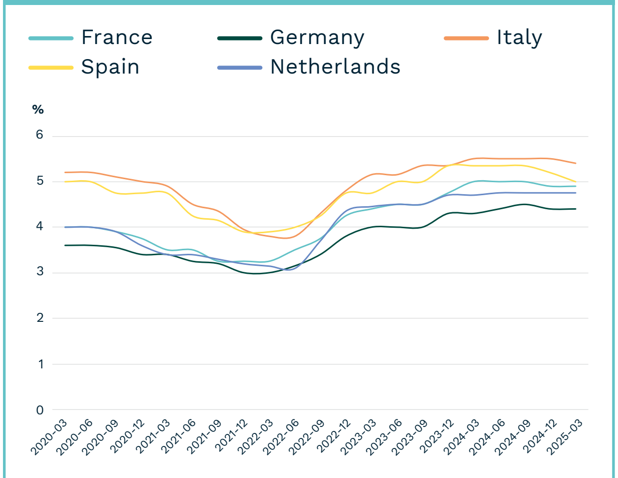
The growth of e-commerce will continue to fuel demand for logistics. E-commerce revenue projections for Europe are expected to grow again in 2025, exceeding €900 billion. The market is also expected to continue growing through 2029, exceeding €1 trillion in revenue.

The current upheavals linked to the trade war and changes in the global geography of manufacturing are likely to reshuffle the cards in terms of supply chain organisation, with winners and losers. Although many projects are currently on hold pending clarification of the US administration's measures, three paths are emerging for reindustrialisation: in the country where the company is headquartered (Europe), in a 'close' country (Europe and nearby countries) and in a 'distant' but considered "safe" country (Thailand, Vietnam and India) to the detriment of China. The winning locations in this reorganisation would be overwhelmingly the "nearby" countries, followed by the "headquarters" country.

INVESTMENT VOLUME IN LOGISTICS IN EUROPE



PREMIUM YIELD RATE IN LOGISTICS



About Praemia REIM

Praemia REIM brings together **450 employees** in **France, Germany, Luxembourg, Italy, Spain,** the **United Kingdom** and **Singapore.** The company leverages its values of conviction and commitment as well as its European-scale expertise to design and manage real estate funds for its national and international clients, whether individuals or institutions.

Today **Praemia REIM** holds more than **36 billion euros** in assets under management.
Its conviction allocation is composed of:

- **50%** healthcare/education,
- **30%** offices;
- **8%** residential;
- **6%** retail;
- **5%** hospitality;
- **1%** logistics.

Its pan-European platform manages **97 funds** and comprises more than **96,000 investor customers,** including **58% institutional** and **42% individual.** Its real estate portfolio includes more than **1,600 buildings** spread across the main asset categories and located in **11 European countries.**

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Sources used throughout this document: Praemia REIM Research & Strategy data based on national e-commerce associations (FEVAD, BEVH, etc.), BCE, BNP PRE, BFS, CBRE, CBS, Colliers International, CSB, CSO, CZSO, Destatis, DST, DZS, Eurostat, FED, FMI, IEIF, Immostat, INE, INSEE, ISTAT, JLL, Knight Frank, KSH, MSCI, OCDE, OMT, ONS, Oxford Economics, Savills, SCB, SSB, Stat Poland, Statbel, Statista, Statistik Austria, Statistics Finland, Statistics Lithuania, STATEC, STR.

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