

REAL ESTATE CONVICTIONS



“ In a tense international context, between the war in Ukraine, tensions in the Middle East, rivalries in Asia and frictions in the Arctic, the global economy is evolving in a zone of prolonged uncertainty, but growth is proving resilient. In this climate, European real estate is gradually gaining favour with investors. The sector, which is considered defensive and supported by stable rental income, has already absorbed most of its repricing. The market is more transparent, more resilient and now offers a particularly attractive entry point. ”

Henry-Aurélien Natter – MRICS, Head of Research

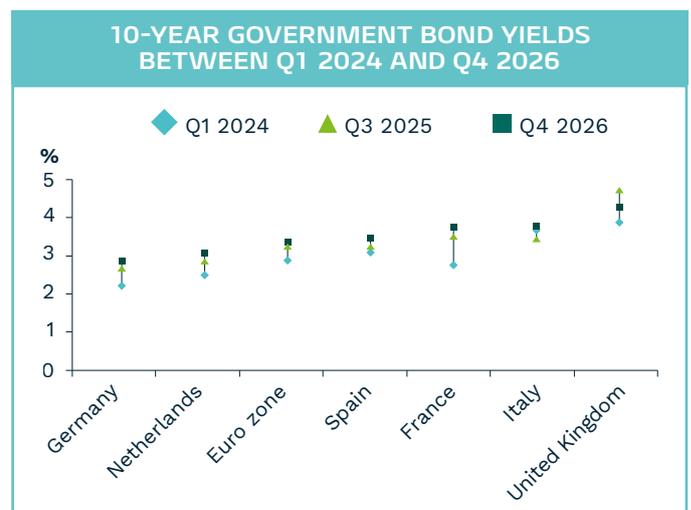
INTERNATIONAL ENVIRONMENT: DESPITE GLOBAL UNCERTAINTIES, GROWTH WILL REMAIN RESILIENT IN 2026

Despite divergent forces, the global economy is proving more resilient than expected. Global GDP is expected to grow by 3.3% in 2026 and 3.2% in 2027. The technology sector and adaptive capabilities are offsetting the adverse effects of trade policies.

Growth in the eurozone is expected to be moderate at 1.0% in 2026. The recovery will thus remain modest but resilient, driven by domestic demand and consumption, despite global uncertainties. In the medium term, eurozone GDP is expected to benefit from new fiscal measures, particularly public investment in infrastructure and defence, especially in Germany. Factors such as rising real wages, more favourable financing conditions and a gradual recovery in external demand are expected to support activity. While it reached 2.4% in 2024, headline inflation (HICP) slowed to 2.0% in 2025 and more markedly in 2026 to 1.6%, mainly due to lower energy prices and the impact of low-priced Chinese exports, before returning to the 2% target. After weighing heavily on property valuations between 2022 and 2024, changes in the ECB’s key interest rates are now of lesser relative importance in an environment marked by monetary policy normalisation.

Bond yields are expected to remain stable over the coming quarters and could rise slightly towards the end of 2026. This trend reflects several factors: inflation, which is now considered to be under control; moderate growth; and monetary policy easing, which has been widely priced in by the markets. Sustained demand for sovereign debt and the safe-haven role of bonds are also helping to keep yields down in the medium term. However, a slight rebound in rates could occur at the end of 2026, driven by a gradual recovery in economic activity, an increase in public financing needs and the continued normalisation of the ECB’s balance sheet.

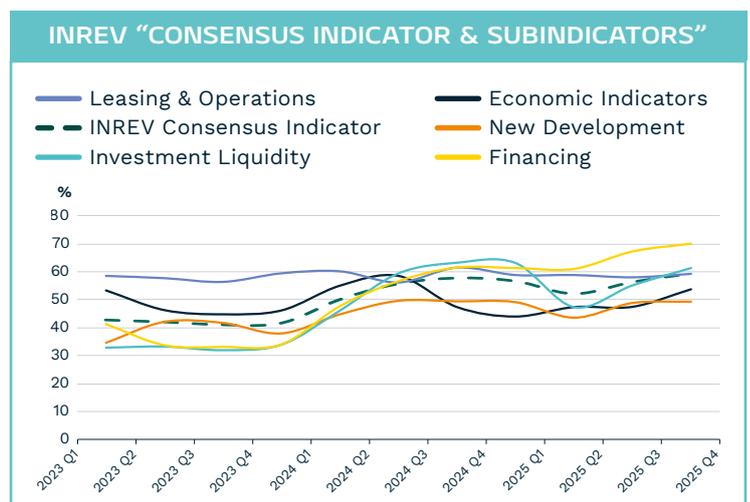
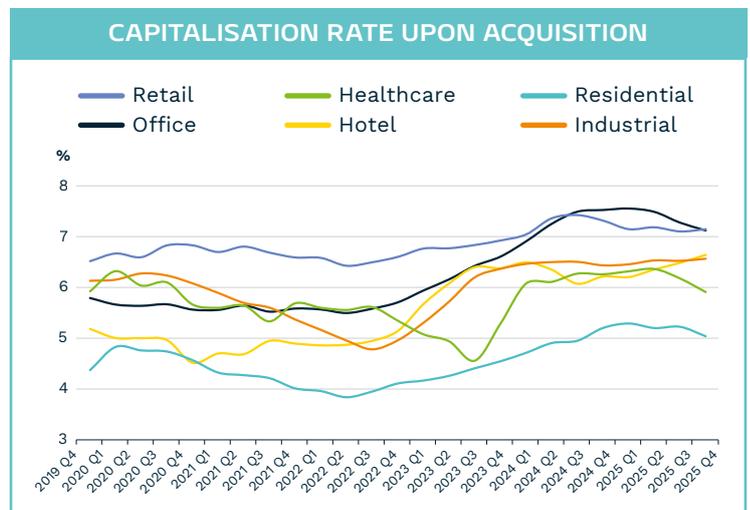
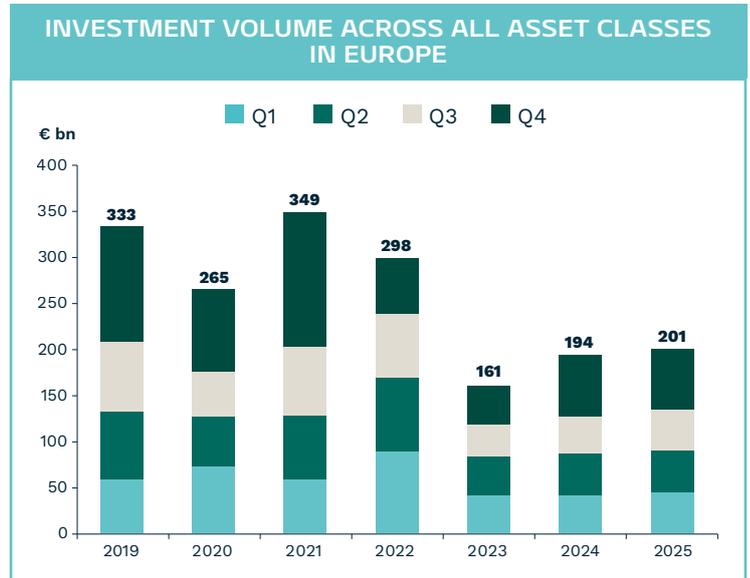
ANNUAL GDP OF THE MAIN COUNTRIES IN EUROPE (%)			
Country	2024	2025	2026 (f)
Spain	3.5	2.9	2.6
Netherlands	1.1	1.6	0.5
United Kingdom	1.1	1.4	1.0
Euro zone	0.9	1.4	1.0
Italy	0.5	0.6	0.6
France	1.1	0.9	0.8
Germany	-0.5	0.2	0.7



REVIEW AND OUTLOOK FOR EUROPEAN REAL ESTATE: 2025 IN LINE WITH EXPECTATIONS, 2026 CAUTIOUS ACCELERATION UNDER THE BANNER OF SELECTIVITY

Capital flows totalled more than €200 billion in Europe in 2025, a slightly higher volume than in 2024 (+4% year-on-year). Most property investment (80%) was concentrated in seven countries: the UK (27%), Germany (16%), France (13%), Sweden (7%), Spain (6%), the Netherlands (6%) and Italy (5%). Investments were divided by asset class as follows: 36% for housing and services (residential, hospitality, healthcare), 38% for consumption (retail and logistics) and 26% for the office sector. **In terms of the geographical origin of capital flows, investors favoured their domestic market (54%),** dominated by private investors (22%), institutional investors (20%), listed property companies (6%) and end-users (6%). **With regard to average capitalisation rates on acquisition, the market shows three trends:** declining rates (offices, healthcare, residential), where investors are prepared to pay more for ultra-prime assets; stable assets (retail, logistics); and rising rates (hospitality), where investors are looking for a higher yield. **However, the market remains highly polarised:** prime assets remain highly sought-after in a context of increased selectivity, while secondary assets are suffering from valuation adjustments and limited liquidity. According to INREV’s Consensus Indicator for December 2025, **investor confidence is growing and optimism is rising.** The investment liquidity index is improving, offering more transaction opportunities, while the access to finance index remains favourable, supporting activity. Finally, **the economic index is showing a slight rebound, reflecting a gradual return of confidence in the macroeconomic environment.**

As a result, **the dynamic of investment volumes reflects a market that is still selective,** with the majority of capital going towards quality assets and the most resilient areas. **A greater degree of polarisation has been observed:** demand remains strong for quality properties, but the performance gaps between prime and secondary assets are tending to widen. This selectivity, combined with the expected stability of key rates and bond yields in the eurozone, should continue to influence the distribution of investment flows. **Thus, for 2026, property investment flows should remain concentrated but show signs of gradually broadening.** Investors should continue to favour quality assets and the most resilient areas. The market has shown signs of picking up with the return of US investors, greater access to debt and solid rental income. However, the market remained divided, with significant spreads between prime and secondary assets.



REAL ESTATE PERFORMANCE REVIEW AND OUTLOOK: SENSITIVITY TO RISK STILL PRESENT IN 2026, RENTAL YIELD DRIVING PERFORMANCE, AND PERSISTENT DIFFERENTIATION BETWEEN PRIME AND SECONDARY ASSETS

For seven consecutive quarters, total European property performance has remained in positive territory. The performance of European real estate has been driven mainly by the **rental component**, against a backdrop of gradual normalisation of macroeconomic and financial conditions. However, performance trends appear to **differ** from one asset class to another, reflecting heterogeneous sector fundamentals, varying recovery rates and greater selectivity on the part of investors.

The **office** markets continue to face structural weaknesses, linked to **uneven** occupier demand, high vacancy levels in some markets, and increased demands in terms of asset quality and sustainability. While prime, well-located assets continue to show a degree of resilience, the segment’s overall performance continues to be penalised by neglected secondary assets.

The **retail** segment’s performance is **mixed**. Assets benefiting from solid fundamentals and good positioning continue to show relative resilience, while secondary assets remain exposed to consumer arbitrage and more contrasting retailer dynamics. The retail sector’s performance continues to be underpinned mainly by rental income, with capital recovery still gradual.

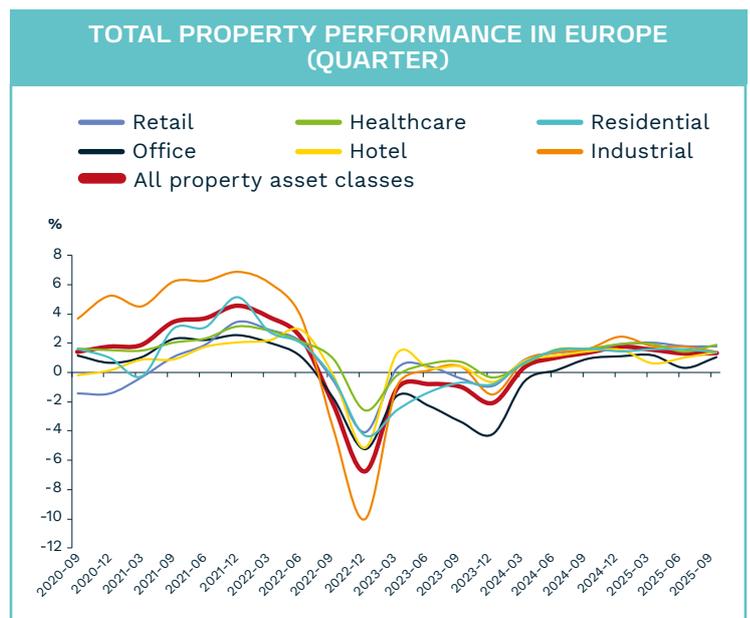
The **logistics** sector has structurally solid fundamentals, driven by long-term demand. After several years of strong growth, however, the segment is entering a phase of **stabilisation**, characterised by a moderation in rental growth and a normalisation of values. Performance remains positive, but at a more measured pace than in previous cycles.

Residential property remains **defensive and resilient**, supported by persistent imbalances between supply and demand and by the relative security of rental flows. The segment’s performance remains largely driven by the rental component, while capital performance remains correlated with changes in financing conditions.

The **healthcare** sector has **solid** fundamentals, underpinned by favourable demographic trends and the **essential nature of the services** it provides. Healthcare assets generally benefit from long leases and secure income, giving the segment a defensive profile. Performance remains mainly revenue-driven, with relatively high visibility over the medium term, although capital value creation remains conditional on interest rate trends and market liquidity.

Finally, the **hospitality** sector is benefiting from the continuing recovery in tourist flows and buoyant demand overall. The segment retains **potential for value creation**, provided that assets are actively managed and well adapted to changes in demand.

In the medium term, European property performance should continue to be driven mainly by income return, while the contribution of capital performance should gradually improve in 2026, subject to a lasting stabilisation of financial conditions. Against this backdrop, selectivity by asset class and asset quality remains a Key driver of performance.





OFFICES: STRONG POLARISATION AND ACCELERATION OF CAPITAL FLOWS AT THE END OF 2025

INVESTMENT IN OFFICE PROPERTY IN EUROPE – 2025 Q4 (12 MONTHS)

€52 billion
(+13% over one year)

JOB CREATION TRENDS – 2025 / 2024

+0.7% over one year

The volume of investment in office property in Europe totalled 52 billion euros in 2025, a capital flow that is 13% higher than in 2024. While capital allocated to secondary offices has returned to the level of 2023, the momentum of investment flows allocated to central locations has been steadily accelerating over the past two years. As Europe’s largest office market, the UK accounted for around €15 billion in 2025 (+30% year-on-year), followed by France with over €8 billion (+24%). Because of their size, these two markets have driven growth in office property in Europe. In Paris, the marked return of large-scale transactions (such as Blackstone’s acquisition of the Trocadéro business centre) underpinned activity, while in London, the rise in the number of transactions (+58%) accounted for the market’s momentum. Smaller markets such as the Netherlands, with €2.6 billion (+30%), Italy with €2.2 billion (+35%) and Spain with €2.3 billion (+13%), also performed very well. Despite investments of more than €7 billion, Germany is still struggling to get off the ground (-2%).

Initial yields on prime offices and secondary locations were evenly split between stable and declining markets throughout 2025 compared with the end of 2024. Declines of between 5 and 75 bp were recorded in almost half of European markets, such as Germany, Italy, and Spain. It should be noted that a few increases of between 5 and 100 bp were recorded, particularly in France and the UK in secondary markets. Inner-city offices with yields below 5.0% are located in cities such as London, Paris, Milan, Munich, Berlin, Madrid, and Barcelona. An additional 50 to 200 basis points are needed for secondary locations in these same markets. For 2026, falls of between 5 and 50 basis points are expected in most European markets. A cautious return of core capital explains this trend.

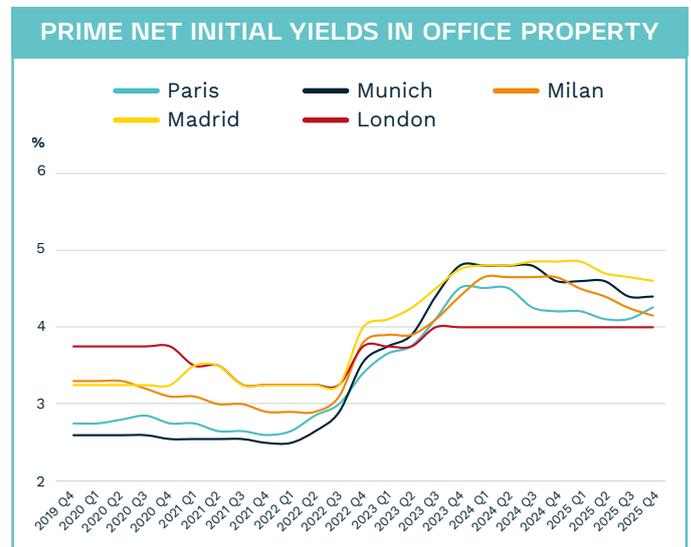
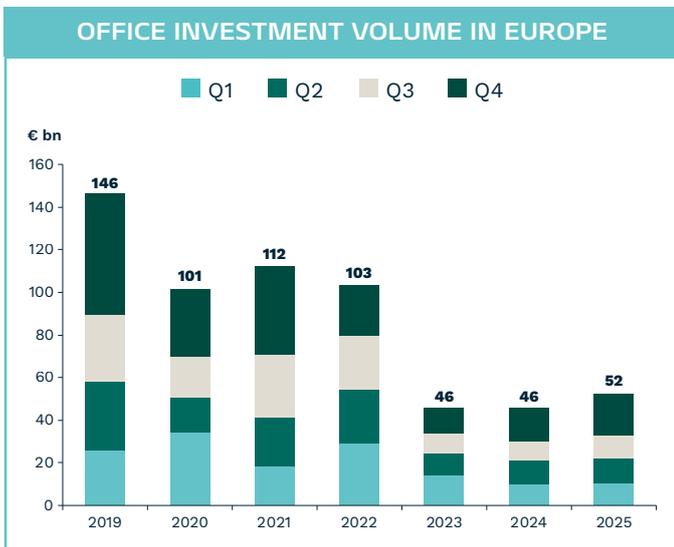
The European rental market is expected to stabilize with take up between 11 and 12 million m² by 2025 (year-on-year). As continental Europe’s largest market, Paris will continue to face a sluggish environment in 2025, with no real rebound at the end of the year. Take-up stood at 1.64 million m², down 9% year-on-year and 19% compared with the post-Covid average. The

market confirms increased polarisation and greater geographical selectivity on the part of users. While demand remains resilient overall, it remains wait-and-see, held back by geopolitical and macroeconomic uncertainties, pressure on business costs and the pursuit of space rationalisation strategies.

Vacancy rates in Europe’s office markets continue to vary widely from one market to another. While secondary markets have high vacancies, supply in the Central Business Districts remains at low levels. Paris has a vacancy rate of less than 6%, while Central London, Berlin, Madrid, and Munich have vacancy rates of more than 7% and always less than 10%. Barcelona and Frankfurt have vacancy rates of over 10%.

Office rents were on the rise in 2025. Prime headline rents in the Paris Central Business District reached a record high of €1,250 per square metre for the highest quality assets by the end of 2025. La Défense-Paris, Munich, Milan, and Rome offer rents of between €600 and €800 per square metre. The central districts of Berlin, Madrid, and Barcelona offer rents of around €350-550 per square metre. Incentives (rent-free periods) vary widely from one market to another. By way of example, these measures have risen sharply in the Paris region, where they now represent an average of 29% of the headline rent, with levels as high as 19% in Central West Paris, 21% in the rest of Paris, and peaking at 36% in La Défense. **By 2026, growth in prime headline rents in Europe should, on average, slightly exceed inflation, with outperformance expected in the most dynamic markets, notably Madrid, Barcelona, Amsterdam, Milan, London, Munich, and certain well-connected non-CBD (Central Business District) areas.**

A number of factors explain this dynamic: the office market is holding up well, with new jobs expected to be created; with teleworking stabilizing, the peak in uncertainty that has been affecting corporate decisions seems passed; business confidence has improved in some markets, which will support leasing decisions; and the pipeline of projects has shrunk sharply, no longer fuelling the spiral of oversupply.





RESIDENTIAL: CONFIRMATION OF PRICE RECOVERY, A SAFE HAVEN FOR INVESTORS

RESIDENTIAL PROPERTY INVESTMENT IN EUROPE – 2025 Q4 (12 MONTHS)

€44 billion
(+3% over one year)

TREND IN ALL HOUSEHOLD INCOMES IN THE EURO ZONE – 2025 / 2024

+3.3% over one year

House prices in the eurozone recorded a 5.1% annual increase in 2025, following the decline seen between the end of 2022 and 2023. Over the long term, it should be noted that the rise in house prices has far outstripped that of rents, reflecting lasting tensions on the housing market, despite a temporary correction linked to monetary tightening and high inflation. Trends varied widely from country to country: some markets saw strong annual growth, such as Spain (+12.5%), the Netherlands (+8.7%), Italy (+4.0%) and Germany (+3.6%), while in France the market did not outpace inflation (+0.6%) and the trend remained negative in Finland (-1.2%). However, recent trends suggest that prices will continue to rise. **For 2026, prices in major European cities are expected to rise sharply, by around 5% in one year, in markets such as Lyon, Dublin, Madrid, London, Stockholm, and Paris.** The European residential market should be underpinned by solid demand, driven by growth in the number of households and an improvement in their creditworthiness. At the same time, the slowdown in supply, held back by worsening construction conditions, is limiting new projects and creating favourable conditions for continued price growth.

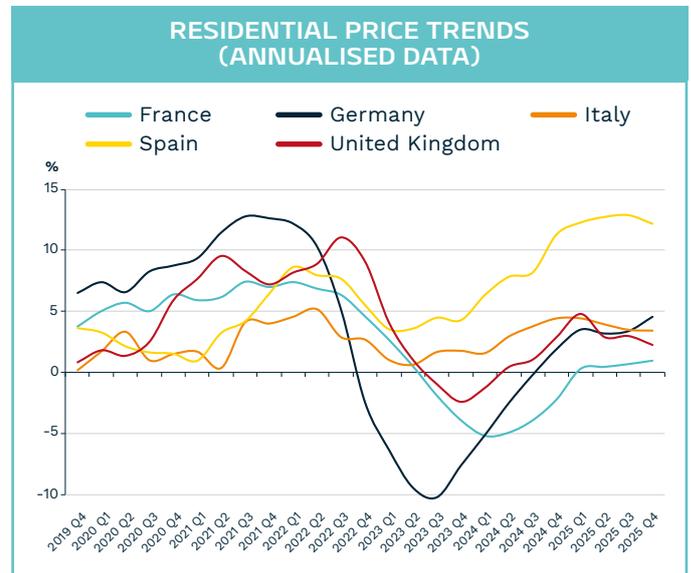
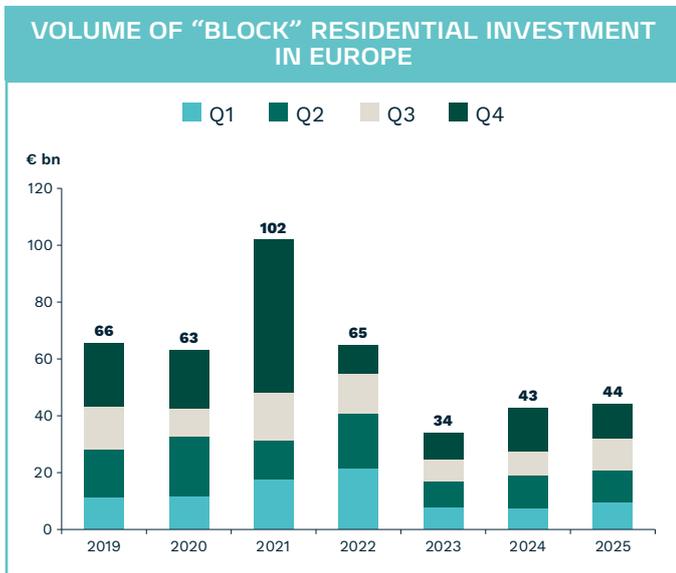
Student residences and co-living, two dynamic segments of the serviced residential market, are increasingly appealing to investors, thanks to attractive rental yields, strong demand and sustained long-term growth prospects. The European student housing market is attracting growing interest from institutional investors, with large investment volumes and very high occupancy rates, often in excess of 95%, ensuring visibility of rental performance. With a high imbalance between supply and demand in many European cities, and sustained international student mobility, these segments reflect a move towards more

flexible, connected, and community-based accommodation. **For 2026, the European average for growth in headline rents in the markets analysed is between 2.5% and 3.0%, with Madrid, Lyon, Paris, Amsterdam, and Berlin expected to outperform.**

The European construction sector is down by 2.6% (year-on-year to October 2025). However, growing uncertainty has helped to reduce the momentum. The decline persisted in several Member States, notably France, Spain, and Austria.

“Block” Residential investment volumes in Europe totalled more than €44 billion over 2025 as a whole (+3% year-on-year). Although down on 2024, Germany (almost €10 billion) and the UK (almost €9 billion) dominate the European landscape of the 10 largest markets in Europe. France, Sweden, the Netherlands and Denmark are among the markets in excess of €4 billion, and all posted growth in capital flows in 2026. Spain saw €3 billion of investment in 2025, similar to 2024.

Prime initial yields stabilised in half of the markets and fell in the other half in 2025 over one year. This trend was observed in the multifamily and student residence categories. Brussels, Paris, Milan and Munich have prime yields of between 3.0% and 4.5% for the multi-family category. For student residences, prime yields are in a high but tight range of between 4.0% and 5.5% in countries such as the UK, France, Germany, Italy, and Spain. **For 2026, decreases of between 5 and 20 basis points are expected in the vast majority of the European markets analysed. This trend can be explained by investors’ attraction to this asset class.** While Paris, Berlin, and Milan should see stable yields, falls are expected in Dublin, Amsterdam, London, and Barcelona.





HEALTHCARE: THE LEADING ASSET CLASS IN INSTITUTIONAL INVESTORS' PORTFOLIOS

HEALTHCARE PROPERTY INVESTMENT IN EUROPE – 2025 Q4 (12 MONTHS)

€7,5 billion
(+67% over one year)

TREND IN THE NUMBER OF PEOPLE AGED OVER 65 – 2025 / 2024

+1.3% over one year

Healthcare property (Senior housing and nursing homes) in Europe totalled €7.5 billion in 2025, compared with less than €5 billion in 2024. If the scope is extended to include other healthcare assets (hospitals, medical offices, laboratories and research), the total volume of investment will reach €14 billion in 2025. The increase was mainly driven by activity in the United Kingdom, which saw its investment volume rise considerably, boosted by investments from US-listed property companies such as Welltower, Omega, and Care Trust Reit. This marked increase benefited all segments of the retirement home market, as well as Senior housing and medical offices. The Nordic markets also performed well, particularly in Sweden, where Public Property Invest (PPI, a Norwegian group specialising in social and healthcare infrastructure) acquired a large portfolio of nursing homes and care facilities from SBB Norden. While investment in Germany reached €1.2 billion, the markets in France, Belgium, Spain and the Netherlands saw amounts invested of no more than €500 million. Italy recorded a significant increase, driven by the sale of the Senior housing and nursing homes portfolio to BNP Reim, bringing the total volume for 2025 to over €500 million.

Although prime initial yields in most of the markets analysed remained stable, at between 5.0% and 5.5% for nursing homes and between 5.0% and 6.0% for clinics, downward pressure on yields could be observed in 2026, given investors' growing appetite for the sector.

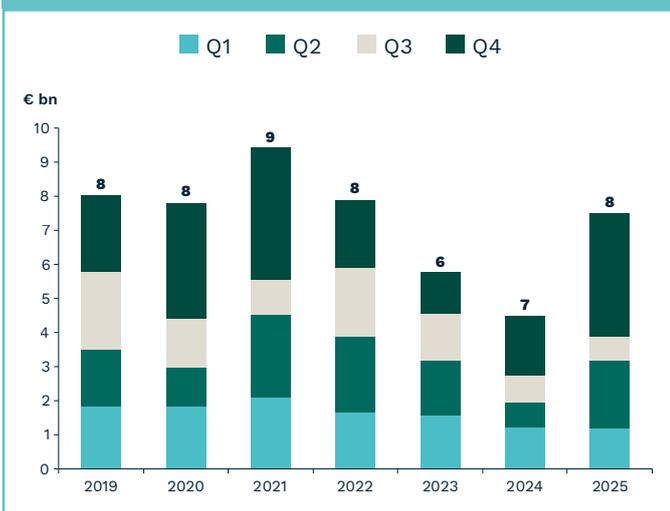
The number of people aged over 65 continued to rise in 2025 (+1.3% year-on-year) in the eurozone. The growth in

the population of senior citizens in all European countries is putting pressure on the supply of healthcare property to meet this demand. In France, the population aged over 75 will rise from 7.5 million in 2025 to 8.1 million in 2030. In Germany, the over-75s 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.

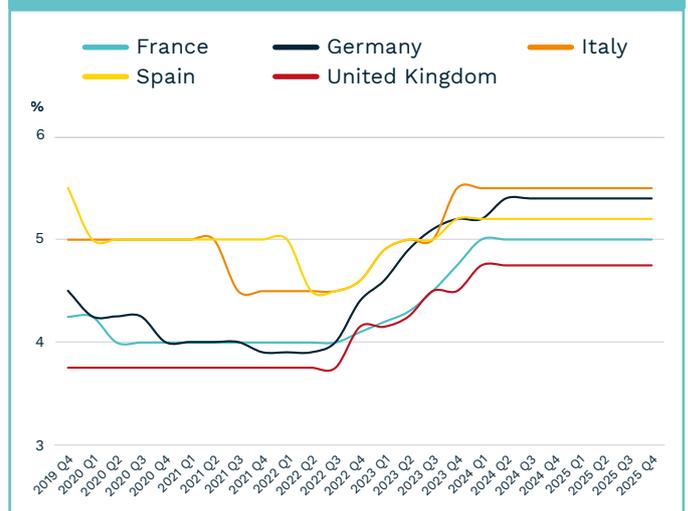
There are currently around 4 million beds in nursing homes in Europe. However, the increase in the number of people aged over 75 is already having a clear impact on the shortfall in supply. Germany, France, Italy, and Spain are among the countries that will face massive needs to cope with the increase in the number of elderly people.

In 2025, the consolidation of the European retirement home and healthcare establishment sector continued. The sector was marked by major consolidation, debt reduction, and strategic repositioning by the major players. Emeis continued its significant asset disposal programme, bringing the volume of disposals completed or secured since mid-2022 to €2.4 billion. At the same time, competitors such as Clariane have taken steps to raise capital, inject equity, or restructure their finances, reflecting a market in which operators are seeking to increase their size, efficiency, and investment capacity. Finally, the merger planned for early 2026 between Aedifica and Cofinimmo will create one of Europe's leaders in healthcare real estate, with more than €10 billion in assets.

VOLUME OF INVESTMENT IN RETIREMENT AND NURSING HOMES IN EUROPE



PRIME NET INITIAL YIELDS FOR HEALTHCARE PROPERTY





HOSPITALITY: A MARKET DRIVEN BY TOURIST DEMAND AND INVESTOR APPETITE

HOSPITALITY PROPERTY INVESTMENT IN EUROPE – 2025 Q4 (12 MONTHS)

€21 billion
(-6% over one year)

TREND IN TOURIST ARRIVALS IN EUROPE TO SEPTEMBER 2025

+4% over one year

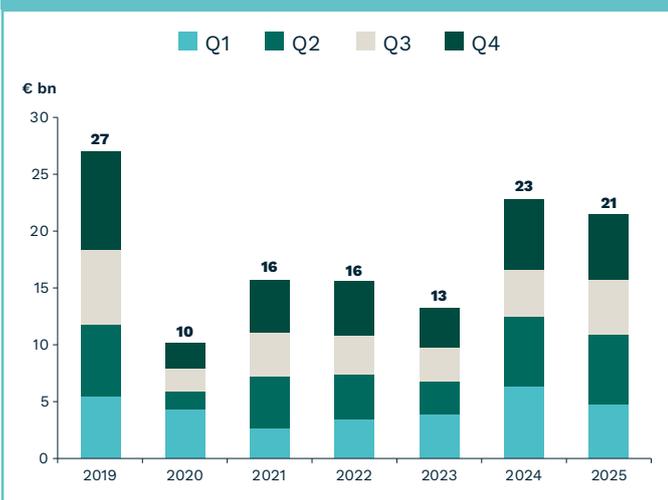
Hospitality investment volumes in Europe totalled around €21 billion in 2025 (-6% year-on-year), the third best year since 2019. Capital flows exceeded €2 billion in France, the UK, Spain, and Germany. While France and Germany posted double-digit growth, Spain recorded a slight decline, while the UK saw its volumes halved in one year. While Ireland saw strong growth in investment flows, with more than €1.6 billion, Italy recorded a year-on-year decline, with investment totalling €1.3 billion. Greece, Sweden, and Denmark saw investment flows of less than €1 billion each, but these markets all posted double-digit growth.

Hospitality yields were stable in the vast majority of markets. However, the downward trend in yields is gathering pace, affecting a quarter of the markets analysed over the year. Prime yields on leased hotels, based on rental profitability, remained stable overall. However, some markets recorded year-on-year falls of between 5 and 50 bp at the end of 2025. Prime initial yields are between 4.5% and 5.0% in London, Milan, Madrid, and Paris for leased hotels. It is estimated that for hotels with management contracts, which allow the hotel owners to capture both the value of the business and the value of the property, yields are 100 bp higher on average. **For the time being, the first trends to emerge for 2026 are that prime yields will remain stable in most markets.** However, there could be some compression, particularly in the German, Greek, Portuguese, and UK markets. The European hospitality market should benefit from a calendar of major events that will stimulate demand. The upmarket/luxury segment, leisure hotels, resorts, and coastal destinations should continue to perform well, while the economy segment will remain dependent on the dynamics of the labour market. At the same time, supply is likely to remain moderate, allowing industry players to maintain some pricing power, reinforcing the constructive outlook for the year.

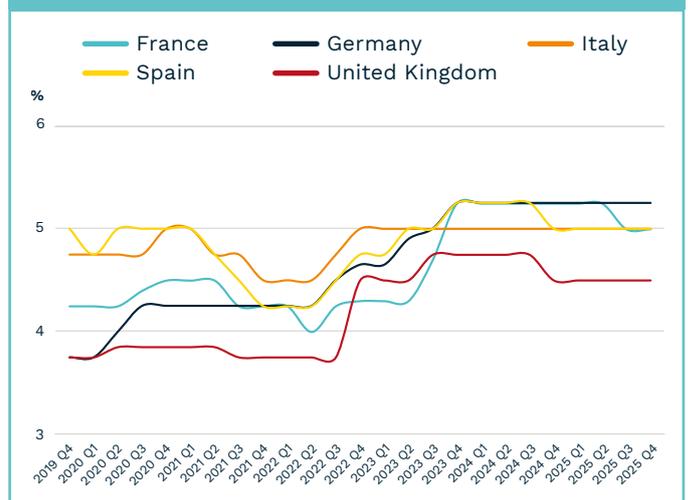
In 2025, Europe confirms its position as the world's leading destination for international tourism. Between January and September, the region welcomed 625 million international tourists, up 4% on the same period in 2024, exceeding pre-pandemic levels in 2019. This growth reflects sustained demand throughout the year, despite high inflation in tourism services and a complex geopolitical and commercial context. The tourism sector benefited particularly from the summer season, reinforcing the positive momentum seen since the start of the year. Europe has confirmed its central role in world tourism in 2025, combining attractiveness, resilience, and a concentration of demand in the high season. In terms of numbers, France will remain Europe's leading tourist destination, with more than 100 million tourists expected by 2025, followed by Spain, which will break its record with 97 million visitors.

Hospitality indicators were up at the end of November 2025. The hotel occupancy rate in Europe stood at 71.3% (compared with 70.8% for the same period in 2024) at the end of November 2025, a level considered to be solid. The average price was stable at €173.1 year-on-year, but remains sensitive to local market conditions (supply, season, events). RevPAR, which combines occupancy rate and average price, stood at €123.4 (compared with €115.3 a year earlier). There are major disparities between periods and countries. By category, top-of-the-range and budget hotels have the best occupancy rate indicators. **For 2026, market growth should still be positive, but more moderate than during the catch-up phase of recent years. Average sales per room are projected to grow by an average of more than +1.0% across Europe.** Munich, Milan, Barcelona, Madrid, London, and Paris are expected to outperform the market average.

HOSPITALITY INVESTMENT VOLUME IN EUROPE



PRIME NET INITIAL YIELDS IN HOSPITALITY





RETAIL: INVESTORS ATTRACTED BY APPEALING YIELDS

COMMERCIAL PROPERTY INVESTMENT IN EUROPE – 2025 Q4 (12 MONTHS)

€34 billion
(-3% over one year)

TREND IN PRIVATE CONSUMPTION IN THE EURO ZONE – 2025 / 2024

+1.4% over one year

At 34 billion euros, the volume of investment in retail property in Europe fell slightly year-on-year in 2025. The retail sector in Europe has been buoyed by a resilient operating performance overall: footfall and sales have held up, some assets have been relet with an increase above inflation, and vacancy rates have remained stable overall. Investment committees remain cautious, marked by the need to “relearn” the sector after several years of withdrawal, while competition is intensifying for the best deals, particularly in the most attractive geographical areas. Secondary assets, with high vacancy rates and declining visitor numbers, are being abandoned by investors. The UK, Germany, Italy, France, and Spain were the most active markets, with between €2 billion and €10 billion invested. The Netherlands, Belgium, and Sweden accounted for around one billion euros of commitments in their respective markets.

Prime initial yields on high street retail units, shopping centres, and retail parks remained broadly stable between the end of 2025 and the end of 2024. However, rates have fallen in various markets analysed, particularly in the UK, Germany, Italy, and Spain. It should be noted that prime property rates in France rose at the end of 2025 as a result of macroeconomic uncertainties and a lack of prime transactions. It remains to be seen whether this trend will continue in the coming quarters. The average prime initial yield for high street retail units in Europe was 5.7%, for shopping centres 7.1%, and for retail parks 6.6%. **For 2026, falls of between 5 and 40 basis points are expected in the vast majority of European markets.** City centre retailers in some markets are benefiting from tourist activity and the economic dynamism of major cities, which is bolstering their performance. On the other hand, shopping centres with structural vacancies are likely to continue to suffer, with significant falls forecast in markets such as Portugal, Spain, Belgium, and Italy. In Southern Europe, for example, prime shopping centres are benefiting from low vacancy rates and buoyant demand, which is boosting their performance and making them particularly attractive to investors. Similarly,

investors could increase their activity in markets where shops have been at an excessive discount to market fundamentals.

Rental values for ground-floor high street retail units, shopping centres, and retail parks are expected to rise overall in 2025.

The main reason for this buoyancy is the sustained demand from retailers for the best locations, in the face of low vacancy rates. This situation is therefore conducive to rental increases. However, in secondary streets and shopping centres, commercial vacancies have remained high, generating structural pressure on rental values.

For 2026, rental growth for high street retail units is expected to be close to inflation, at around 2%.

The biggest rises in rents should be seen in the main central shopping streets of Rome, Milan, London, and Paris. For shopping centres, however, the momentum is likely to be less sustained, with rental growth projected at an average of +1.5%. Nonetheless, shopping centres in cities such as Milan, Rome, Lyon, and central London are likely to come out ahead, with rents expected to rise by more than 3%.

Household consumption in the eurozone in 2025 will grow moderately, driven by services and real incomes that remain favourable, but will be held back by cautious confidence, a high savings rate and pressures on employment that emerged in the second half of 2025, in a global economic context where uncertainties are high. Household confidence in the European Union and the eurozone remained slightly negative, below its long-term average, reflecting cautious households in the face of economic uncertainty.

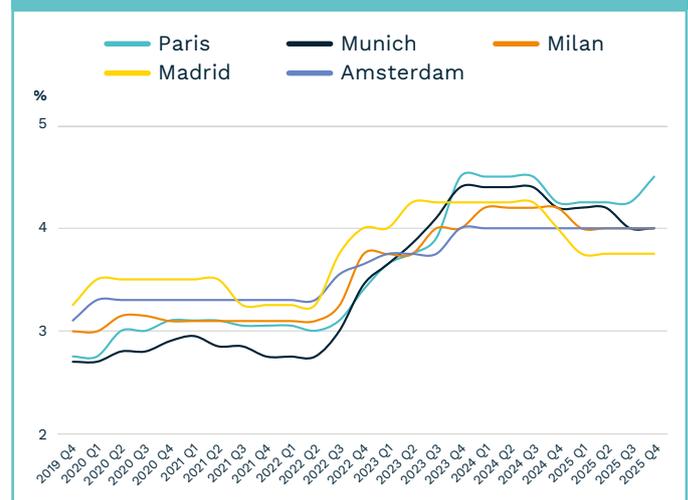
Despite the uncertain environment, consumer spending continued to grow, leading to an increase in retail sales over the year.

However, there is a risk of the economy running out of steam, especially as the number of business bankruptcies (all types) in the main European countries, including the United Kingdom, continued to rise overall in 2025, but in varying degrees from one country to another.

VOLUME OF RETAIL INVESTMENT IN EUROPE



PRIME NET INITIAL YIELDS FOR GROUND-FLOOR HIGH STREET RETAIL UNITS





LOGISTICS: A RESILIENT SECTOR FACED WITH UNCERTAINTIES, WITH NEW ENTRY POINTS EMERGING

INVESTMENT IN LOGISTICS REAL ESTATE IN EUROPE – 2025 Q4 (12 MONTHS)

€41 billion
(-3% over one year)

TREND IN E-COMMERCE SALES IN EUROPE EXPECTED IN 2026 / 2025

+9% over one year

The logistics sector has recorded an investment volume of €41 billion in 2025, down slightly on 2024. Capital was concentrated in the UK, France, and Germany, with between €5 billion and €15 billion invested in these three markets respectively. The United Kingdom and France enjoyed positive growth, while Germany was down year-on-year. The Netherlands, Italy, and Spain totalled between €1 and €3 billion in each of these markets, and all posted declines in their flows.

Prime initial yields for logistics in Europe were evenly split between stable and declining trends throughout 2025 compared with the end of 2024. Reductions have taken place in several markets, notably Belgium, Italy, and Spain. Rates in the UK, Germany, the Netherlands, France, Spain, and Italy ranged from 4.4% to 6.25%. **For 2026, cuts of between 5 and 10 basis points are expected in most of the European markets analysed.** France is likely to see yields remain stable, while the Netherlands, the UK, Spain, and Germany could come under downward pressure. The brakes seen in 2025, linked to macroeconomic and geopolitical uncertainty, should ease in 2026, reducing the postponement of rental and investment decisions. Key themes are influencing the market: protectionism and nearshoring (the strategy of relocating to a geographically close country), which are leading to a reconfiguration of supply chains, as well as potential budgetary support and defence spending expected from 2027 onwards, could benefit the industry. These factors are likely to fuel investor appetite.

Rental market activity is up in 2025, compared with the same period in 2024. The volume placed is 9.4 million m² year-on-year, up from 8.9 million m² in 2024. **Vacancy in Europe** varies between 2% and 11%, and has tended to increase year-on-year. This trend is explained by the fact

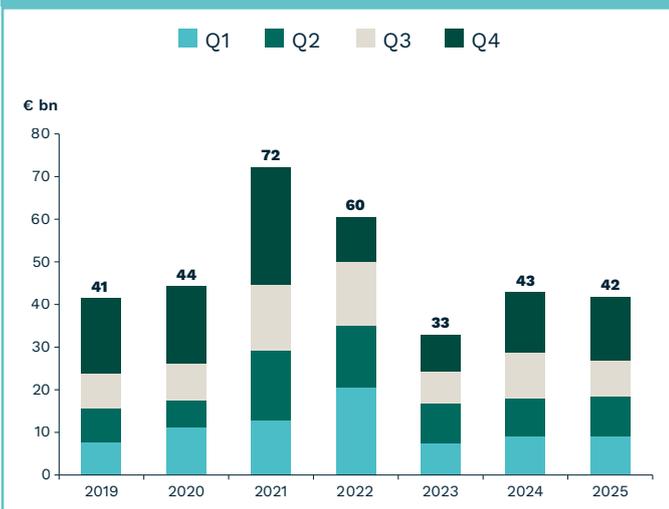
that users are opting for built-to-suit or pre-let projects, thus contributing to the rise in the vacancy rate, which is expected to increase slightly again in 2026 before stabilising from 2027 onwards.

Demand for logistics in Europe has been fuelled by a number of factors: cross-border trade, e-commerce, and urbanisation. Economic integration within the European Union and the increase in intra-European trade have fuelled demand for logistics warehouses through cross-border flows between European countries and the ongoing harmonisation of regulations. On the other hand, e-commerce remains one of the main drivers of logistics demand in Europe, with strong requirements for warehousing capacity to manage stocks, distribution centres, automation and rapid delivery solutions to meet consumer expectations. Urbanisation is also contributing to a growing need for micro-logistics centres close to conurbations, and for last-mile strategies to deliver quickly to city centres and reduce costs and lead times.

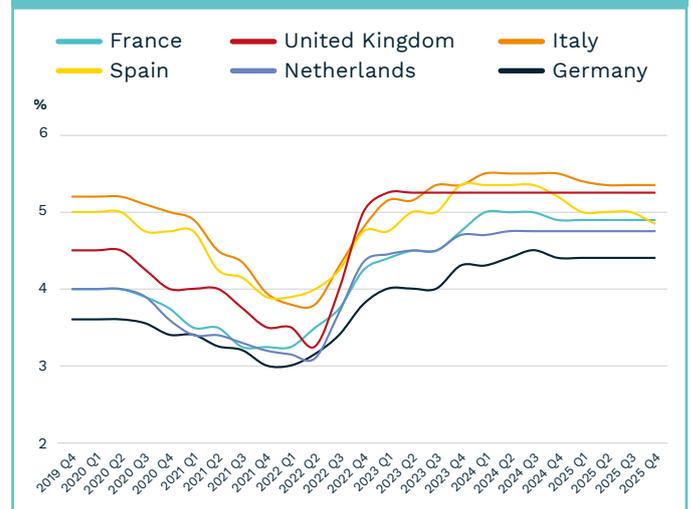
Rents have risen in the vast majority of markets analysed in 2025. Warehouse headline rents in the main European logistics markets – Germany, Italy, Spain, France, the Netherlands, and the UK – have seen average year-on-year growth of around 3% in 2025. Germany, the Netherlands, Spain, Italy, and France have rents ranging from €57/m² to €130/m².

In 2026, rents in the markets analysed in Europe are expected to rise moderately, slightly more than inflation. The markets with the highest increases (over 2.5%) are projected to be Barcelona, Milan, Lyon, Rotterdam, and Madrid. This outperformance can be explained by the economic dynamism of certain countries, catching up with other markets, low vacancy rates, the role of logistics hubs, and the potential for growth in rental demand.

LOGISTICS INVESTMENT VOLUME IN EUROPE



PRIME NET INITIAL YIELDS IN LOGISTICS



About Praemia REIM

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