



REAL ESTATE CONVICTIONS

2025 – Q2

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

September 2025



INTERNATIONAL ENVIRONMENT: TRADE DISTORTIONS EASE, GROWTH HOLDS STEADY



“ While the protectionist shock from the US administration could have derailed global growth, the economy seems to be holding up better than expected. As a result, the IMF has just revised its growth forecasts for 2025 upwards. The lower-than-announced increases in US tariffs and more accommodative monetary policies explain these revisions. For its part, European real estate has benefited from the ECB’s continued monetary easing, which remains a key driver of asset valuations and the potential for a recovery in investment.

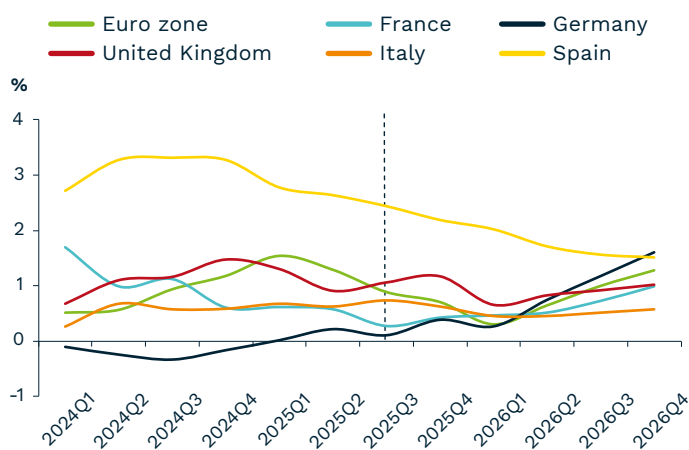
Henry-Aurélien Natter – MRICS, Head of Research

The global economy is proving more resilient than anticipated to the trade war initiated by the US administration, according to the latest IMF forecasts (August 2025). The international institution has revised its global growth estimate upwards for this year compared to its first-quarter forecast. It now expects global GDP to grow by 3% in 2025 and 3.1% in 2026, but performance remains moderate compared to pre-Covid years, especially as uncertainties remain high and geopolitical tensions persist.

In this international context, growth in the eurozone is expected to reach 1.1% in 2025. In the medium term, GDP in the eurozone should benefit from new budgetary 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 should support activity. Average GDP growth is expected to be 0.8% in 2026. After reaching 2.4% in 2024, headline inflation (HICP) is expected to slow to 1.9% in 2025 and more markedly in 2026 to 1.7%, mainly due to lower energy prices, before returning to the 2% target.

Despite the successive monetary easing measures by the ECB, sovereign bond yields in Europe remain at high levels. Recent movements in European bond markets mark a notable shift in the traditional hierarchy between different countries. French 5-year yields have surpassed those of Italy, signaling increased risk perception toward France. This tightening of spreads is explained by growing concerns over France’s fiscal trajectory (rising deficits, political instability), while Italy is benefiting from renewed confidence due to its efforts in fiscal discipline and political stability. For the French real estate market, these signals limit the short-term potential for real estate rates compression.

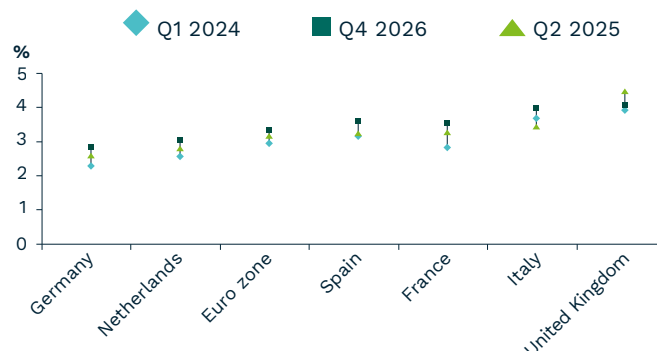
QUARTERLY GDP OF THE MAIN EUROPE COUNTRIES



ANNUAL GDP OF THE MAIN COUNTRIES IN EUROPE (%)

Country	2024	2025 (p)	2026 (p)
Spain	3.2	2.5	1.7
Netherlands	1.0	1.6	0.9
United Kingdom	1.0	1.1	0.9
Euro zone	0.8	1.1	0.8
Italy	0.5	0.7	0.5
France	1.1	0.5	0.7
Germany	-0.2	0.2	1.0

10-YEAR GOVERNMENT BOND YIELDS BETWEEN Q1 2024 AND Q4 2026



EUROPEAN REAL ESTATE CONTEXT: A LACKLUSTER FIRST HALF OF 2025, BUT A REBOUND EXPECTED IN THE SECOND HALF. EASING GEOPOLITICAL TENSIONS COULD ACT AS A CATALYST

Capital flows totalled around €85 billion in Europe, a volume almost identical to that of the same period in 2024.

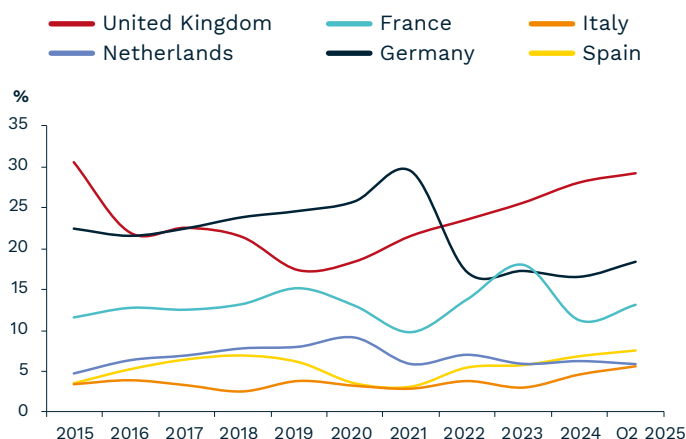
Investment volumes in real estate were concentrated in six countries, which accounted for 80% of the total: the United Kingdom (29%), Germany (18%), France (13%), Spain (8%), Italy (6%), and the Netherlands (6%). By asset class, housing and services (residential, hotels, and healthcare) accounted for 39%, consumption (retail and logistics) 37% and finally, the business sector, including offices, accounted for 24% of investment flows.

By geographical origin of capital flows, investors favoured their domestic market (53%). Transaction activity was dominated by private investors (24%), institutional investors (17%), listed real estate companies (5%), and occupiers (7%).

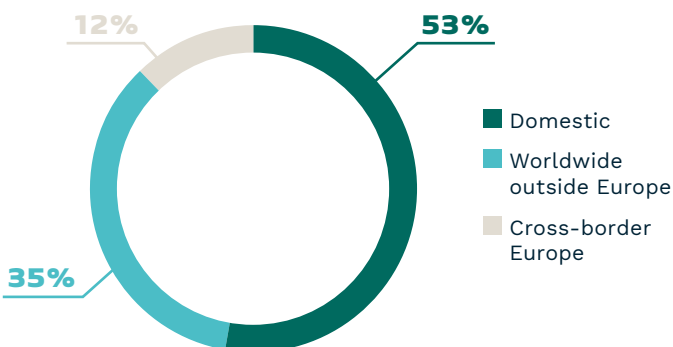
Yield pricing shows signs of stabilization but the market remains polarised between prime properties sought after by investors and secondary assets for which liquidity remains limited. According to INREV's second-quarter consensus indicator, the financing index is holding up well, buoyed by increased investor confidence in the availability of credit, with no anticipation of tighter conditions on LTV ratios or covenant requirements.

Capital flows for the full year of 2025 are expected to be comparable to 2024, or even show an increase. Some upside could come from easing geopolitical tensions. A gradual market recovery can be expected with improving financing conditions and a progressive return of investor confidence. Across various investor surveys, there is a consensus highlighting positive momentum in residential, logistics/retail, and alternative asset classes such as hospitality, student housing, and healthcare.

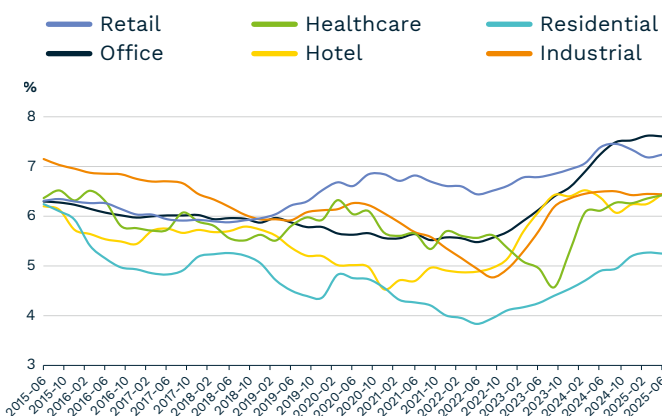
BREAKDOWN OF INVESTMENT VOLUMES BY COUNTRY



BREAKDOWN OF CAPITAL FLOWS BY INVESTOR ORIGIN IN H1 2025



CAPITALISATION RATE AT ACQUISITION



REAL ESTATE PERFORMANCE: POSITIVE MOMENTUM IN EUROPEAN REAL ESTATE PERFORMANCE DRIVEN BY MONETARY EASING

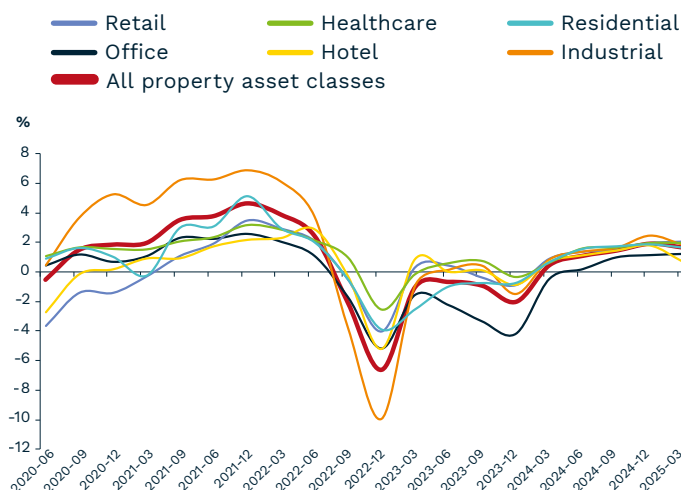
For five consecutive quarters, European real estate performance remained positive, thanks to the ECB's monetary easing policy. After being severely impacted by the historic rise in interest rates, real estate performance returned to positive territory and remained there for five consecutive quarters. As a result, average performance was positive across all asset classes in Europe in the first quarter of 2025.

The ECB's successive cuts in key interest rates are beneficial for capital growth. Similarly, current inflation levels have boosted rental yields. The combination of these two factors helped total performance remain positive in the first quarter of 2025.

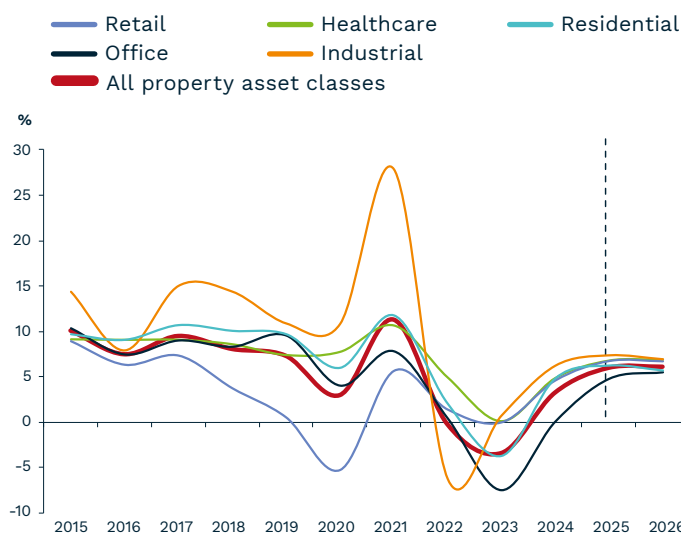
Since June 2024, the total performance of all asset classes analysed (office, retail, logistics, healthcare, hospitality, and residential) **has been positive in Europe.** Rental performance currently accounts for nearly 70% of total profitability. Questions remain regarding the consolidated capital performance of certain markets/assets in 2025 due to certain weaknesses: structural vacancy or refinancing difficulties.

Two dynamics are expected to drive medium-term performance. First, rental growth should remain the recurring component of returns in the coming years. Second, capital growth is expected across all asset classes thanks to yield compression, though it will take more time to materialize. Despite some early signs of compression in certain markets or asset classes, yields are expected to remain largely stable in 2025. More visible yield compression is anticipated from 2026 onward. However, overall risks and current uncertainties continue to weigh heavily on forecasts.

TOTAL REAL ESTATE PERFORMANCE IN EUROPE (QUARTERLY)



TOTAL REAL ESTATE PERFORMANCE IN EUROPE (ANNUAL) AND PROJECTIONS





OFFICES: POLARIZATION AND FLIGHT TO QUALITY

INVESTMENT IN OFFICE REAL ESTATE IN EUROPE – 2025 Q2 (6 MONTHS)

€20 billion
(~2% year-on-year)

JOB GROWTH – 2025 Q2 / 2024 Q2

+0.5% year-on-year

The volume of investment in office property in Europe totalled €20 billion in the first half of 2025, a slight decline in capital flows compared with the same period in 2024. Demand remains concentrated on prime office space in central locations. The United Kingdom is Europe's leading office market, with nearly €6 billion invested in the first six months of 2025, closely followed by France with more than €4 billion and Germany with around €2.5 billion. Italy and Spain each totalled nearly €1.5 billion.

Initial yields for prime office space and secondary locations remained stable at the end of the first half of 2025 compared with the end of 2024. But despite this overall stabilization, the market remains highly polarized with strong demand for prime segment where some 5 to 75 basis points downward pressure have been recorded with prime yields now below 5% mark while risk aversion has remained high for secondary. The yield gap between prime and secondary is estimated to be around 100 to 300 basis points in the same locations.

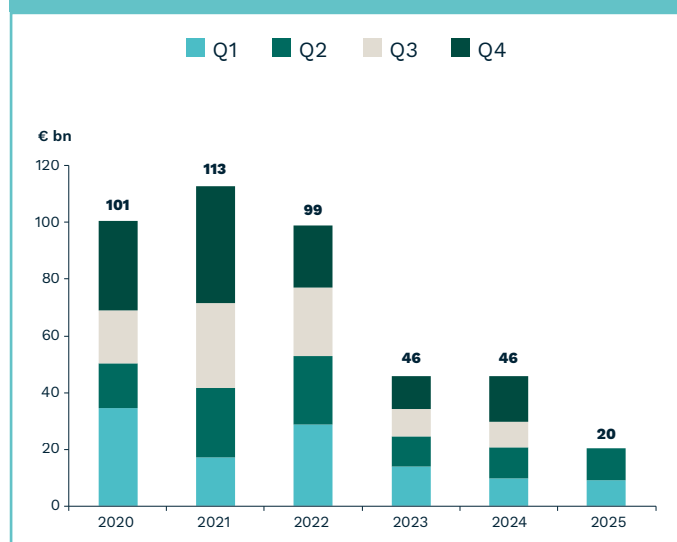
The European occupier market experienced a slight decline in take-up in the first half of 2025. The leasing activity during the first half of 2025 reached 4.6 million square metres, down 4% on the same period in 2024. Paris, the leading market in continental Europe, recorded a slowdown, with 768,000 m² leased (-12% year-on-year). Companies are still taking a wait-and-see approach, and the crisis in usage linked to remote work growth is still ongoing, even though some large groups in Europe want

a return to the office which could boost demand in the short to medium term. According to the latest surveys, economic sentiment is declining in the eurozone. However, employment expectations have remained broadly stable, suggesting a willingness from most companies to maintain their long-term plans.

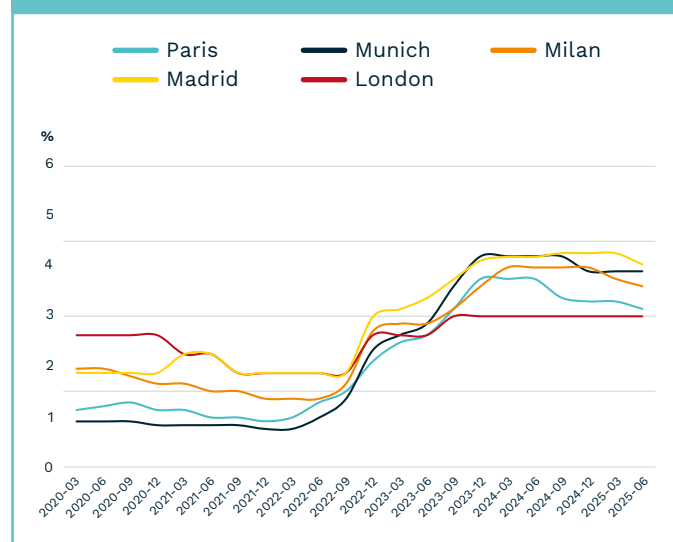
Supply was on an upward trend between the second quarter of 2025 and the fourth quarter of 2024. Three-quarters of markets were affected by this rise in vacancy rates, with the remaining quarter recording a decline. Vacancy rates in central business districts remain low. While Paris intra-muros has a vacancy rate of 5%, London, Berlin, and Munich have vacancy rates above 5% but still below 10%. Barcelona, Madrid, and Frankfurt have vacancy rates above 10%.

Headline rents rose slightly in the first and second quarters of 2025. Prime rents in the central business district of Paris stabilised at €1,200 per square metre for the most sought-after properties. La Défense-Paris, Munich, Milan, and Rome offer rents of between €600 and €800 per square metre. Berlin, Madrid, and Barcelona have rents of around €350-550 per square metre. Incentives as measured by the number of rent-free periods are up slightly year-on-year, especially for markets with significant supply or for less attractive areas vary greatly depending on the market. While they range from 20 to 24 months in London even for its prime markets, they stand at 12 in Paris inner city and well above 20 in the periphery.

INVESTMENT VOLUME IN OFFICES IN EUROPE



PRIME NET INITIAL YIELDS IN OFFICE PROPERTY





RESIDENTIAL: A SAFE HAVEN FOR INVESTORS MARKED BY A RECOVERY IN PRICES

RESIDENTIAL REAL ESTATE INVESTMENT IN EUROPE – Q2 2025 (6 MONTHS)

€19 billion
(+0% year-on-year)

HOUSEHOLD WAGE GROWTH IN THE EUROZONE – 2025 Q2 / 2024 Q2

+4.1% year-on-year

Housing prices in the eurozone rose in the second quarter of 2025 (+4.0% q/q n-1), in line with increasingly affordable mortgage loans. The very limited supply in stressed areas of Europe could quickly lead to pressure on prices when the ECB next cuts its key interest rates. However, government borrowing in European countries still under pressure from investors has moderated the momentum.

In the second quarter, prices rose in Spain (+2.2% q-o-q), Germany (+1.4%), France (+0.4%), and Italy (+0.1%), but fell in the United Kingdom (-0.6%). Easing borrowing rates, limited supply, a resilient labour market, high savings rates, and wage momentum contributed to the positive price momentum. Among the most dynamic cities in Europe during the quarter were Spanish cities (Valencia +11.2%, Madrid +10%, Barcelona +9.3%) and Dutch cities (Utrecht +9.2%, The Hague +7.9%).

Student housing and co-living are booming segments within the serviced residential market. They, represent an attractive alternative to traditional residential properties, thanks in particular to their attractive rental yields. Student mobility in Europe represents approximately 3 to 4 million students. This flow, fuelled by intra-EU exchanges (44%) and the influx of international students (Asia 26%, Africa and the Middle East 23%, and the Americas 7%), is driving demand for student residences. At the same time, faced with pressure on the property market and a desire for social connections, younger generations are embracing hybrid solutions such as co-living, which combines affordable housing, shared services, and community life.

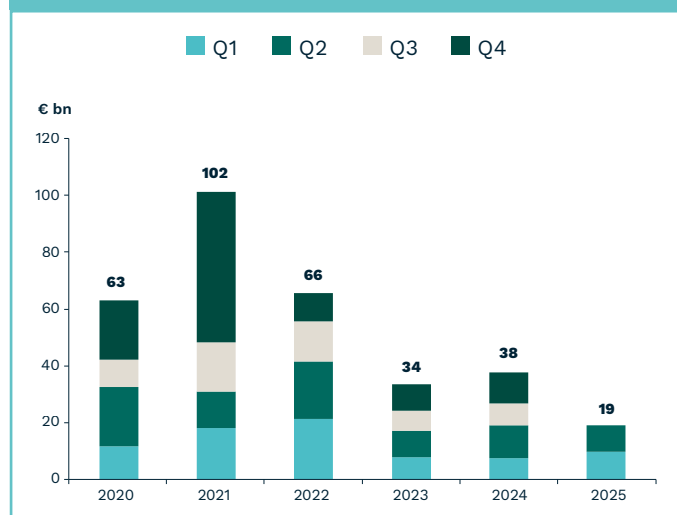
This model, which is currently expanding, illustrates a new way of living that is more flexible, inclusive, and in tune with contemporary aspirations.

In the European residential new development sector, there were some early signs of rebound but the recovery trend has slowed down due to growing uncertainty. This slowdown in construction could limit the supply of housing, while the imbalance between supply and demand remains significant, with demand still strong in most European countries.

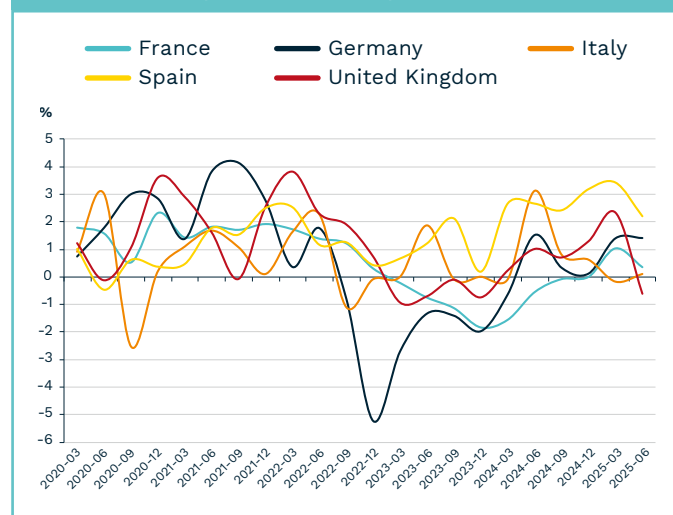
The volume of residential investment in Europe totalled more than €19 billion in the first half of 2025, unchanged from a year earlier. The residential sector is sought after by investors who have significant plans to increase their allocation to an asset class that remains a safe haven commanding low prime yield levels. Germany and the United Kingdom captured a large share of the capital, between €3 billion and €6 billion. France and the Netherlands also stood out with between €1 billion and €2.5 billion. Finally, Spain is off to a slow start with only €800 million in investment.

Prime net initial yields remained largely stable in the second quarter of 2025 compared to the end of 2024. This trend was observed in the multifamily and student housing segments. They currently stand between 3.0% and 4.5% in Brussels, Paris, Milan, and Munich for the multifamily, and between 4.0% and 5.5% for student housing.

VOLUME OF RESIDENTIAL BLOCK INVESTMENT IN EUROPE



RESIDENTIAL PRICE TRENDS (QUARTER-ON-QUARTER)





HEALTHCARE: AN EMERGING SECTOR ON THE RADAR OF INSTITUTIONAL INVESTORS

HEALTHCARE PROPERTY INVESTMENT IN EUROPE – Q2 2025 (6 MONTHS)

€3 billion
(+56% year-on-year)

GROWTH IN THE NUMBER OF PEOPLE AGED 65 AND OVER 2025 Q2/2024 Q2

+1.6% year-on-year

Healthcare real estate (senior housing and care homes) in Europe totalled €3.0 billion in the first half of 2025, compared with less than €2 billion a year earlier.

Investment volumes were concentrated in the United Kingdom, Germany and, to a lesser extent, the Netherlands and Sweden in the first half of 2025.

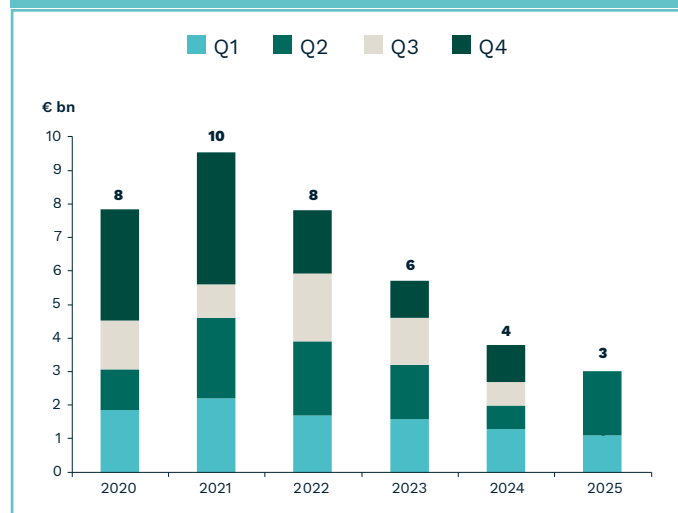
Between the end of 2024 and the second quarter of 2025, prime net initial yields in the markets we cover (the United Kingdom, France, Germany, Italy, and Spain) remained stable for the vast majority of markets and for all segments of healthcare real estate (clinics, senior housing, care homes). They stand between 4.75% and 5.5% for care homes and between 5.0% and 6.0% for clinics. As healthcare has proven to be a resilient and less cyclical asset class than other commercial sectors, there has been growing appetite from institutional investors seeking diversification.

The number of people aged over 65 has continued to rise in the second quarter of 2025 (up 1.6% year-on-year) in the eurozone fuelling demand growth for healthcare real estate. In France, the population aged over 75 will rise from

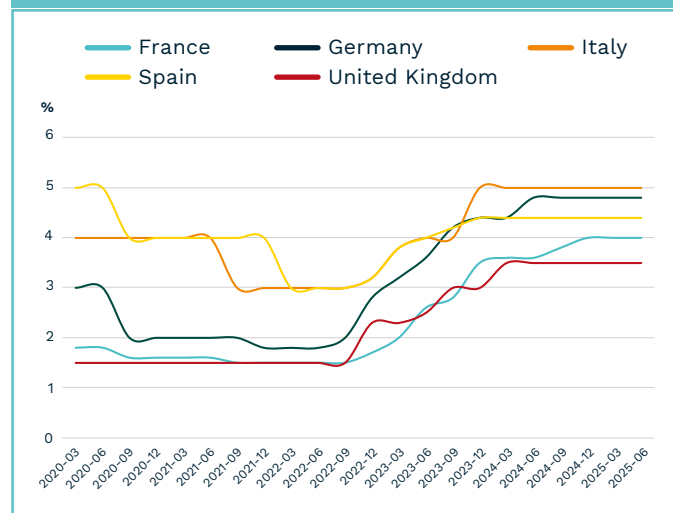
7.5 million in 2025 to 8.1 million in 2030. In Germany, the number of people aged 75 and over will rise from 9.3 million to 9.8 million, in Italy from 7.5 million to 8.0 million, and in Spain from 5.0 million to 5.6 million. These increases will put pressure on the healthcare system and on the need for beds.

The ageing population will be accompanied by an increase in spending. For example, in terms of care homes, the European Union currently has around 4 million beds. However, the increase in the number of people aged over 75 has already had a clear impact on the supply deficit. The shortage of beds is estimated at around 1.6 million by 2040, representing a potential investment of nearly €200 billion to meet the needs of the growing number of dependent elderly people. Germany, France, Italy, and Spain are among the countries that will face massive needs. At the same time, Europe's care home stock must also deal with a problem of obsolescence requiring renovation. In parallel, 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.

INVESTMENT VOLUME IN RETIREMENT AND CARE HOMES IN EUROPE



PRIME NET INITIAL YIELDS IN HEALTHCARE REAL ESTATE





HOSPITALITY: SECTOR RECOVERY UNDERPINNED BY TRAVEL GROWTH AND STRONG INVESTOR APPETITE

HOSPITALITY REAL ESTATE INVESTMENT IN EUROPE – Q2 2025 (6 MONTHS)

€11 billion
(-25% year-on-year)

GROWTH IN EXPECTED TOURIST ARRIVALS IN EUROPE – 2025/2024

+9% year-on-year

Investment volumes in the European hospitality sector totalled approximately €11 billion in the first half of 2025, down from €12.5 billion in the same period in 2024.

Demand was concentrated in five markets in the first half (73%): Germany, Spain, France, Italy, and the United Kingdom. Greece and the Netherlands saw investment flows of significantly less than €1 billion each.

Overall prime yields have remained stable in Europe. But there have been some 15 to 25 basis points downward pressure in a quarter of the analyzed markets across Europe.

They range between 4.5% and 5.25% in London, Milan, Madrid, and Paris for leased hotels. It is estimated that for hotels under management contracts, which allow owners to capture both the business value and the real estate asset value, yields are on average 100 basis points higher.

Europe welcomed 125 million international tourists in the first three months of 2025, recording a 2% increase compared to the same period in 2024. This recovery has been uneven across sub-regions:

- **Southern Mediterranean Europe:** arrivals rose by 2%, supported by increased demand for off-season travel

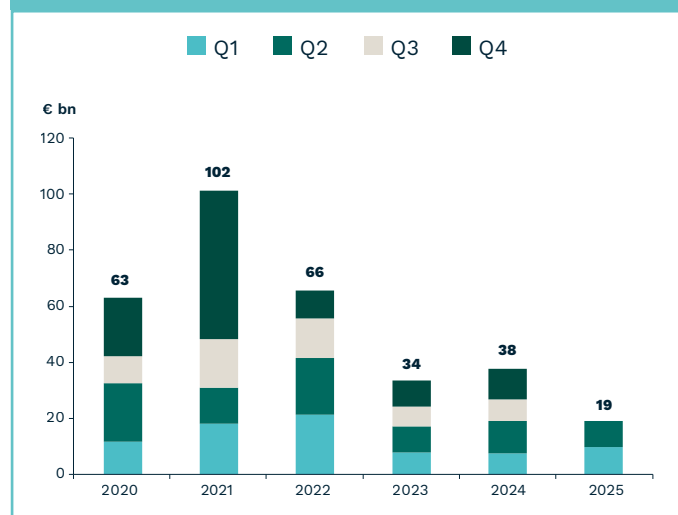
to destinations such as Spain, Greece, Italy, Portugal, and Turkey. These countries also benefited from solid growth in tourism revenues in the first quarter of 2025, with increases ranging from +4% to +9% depending on the market,

- **Central and Eastern Europe:** this area experienced a strong recovery with an 8% increase in arrivals compared to 2024, driven namely by Baltic destinations. In terms of tourism revenue, France (+6%), Norway (+20%), and Denmark (+11%) also performed well at the start of the year.

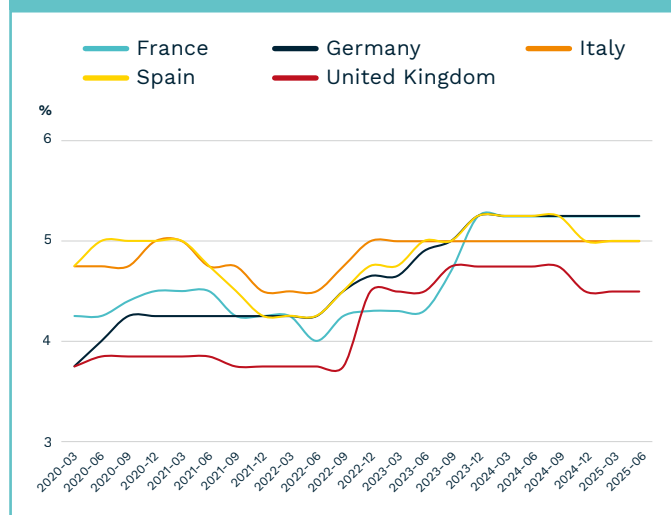
Hotel sector indicators improved at the end of May 2025.

The hotel occupancy rate in Europe stood at 65.4% (+0.7 points) at the end of May 2025 (compared to 62.7% in 2019 in the pre-Covid period, 29% and 38% at the peak of the Covid crisis in 2020 and 2021). The average price also rose slightly to €122.8 year-on-year (+1.4% year-on-year). RevPAR stood at €80.4 (+2.5% year-on-year) with the strongest growth being recorded in Germany, Greece, and Spain. By category, budget hotels performed best across all categories.

INVESTMENT VOLUME IN THE HOSPITALITY SECTOR IN EUROPE



PRIME NET INITIAL YIELDS IN THE HOSPITALITY INDUSTRY





RETAIL: RENEWED ATTRACTIVENESS DRIVEN BY COMPETITIVE YIELD PRICING

RETAIL PROPERTY INVESTMENT IN EUROPE – Q2 2025 (6 MONTHS)

€15 billion
(+2% year-on-year)

REAL CONSUMPTION GROWTH TREND IN THE EUROZONE – 2025 Q2/ 2024 Q2

+1.5% year-on-year

At around €15 billion, commercial real estate investment volume in Europe rose slightly at the end of the first half of 2025 compared with the previous year. High street units were the most sought-after by investors, accounting for nearly 75% of investment flows in the first half of 2025. Shopping centres accounted for around 25%. The most attractive shopping centres are mainly driven by their location, footfall, and the quality of the offering, with a strong focus on services and restaurants. The United Kingdom, Germany, France, and Spain were the most active markets with between €1.5 billion and €5 billion of investment. Italy and the Netherlands accounted for less than €1 billion of commitments in their respective markets.

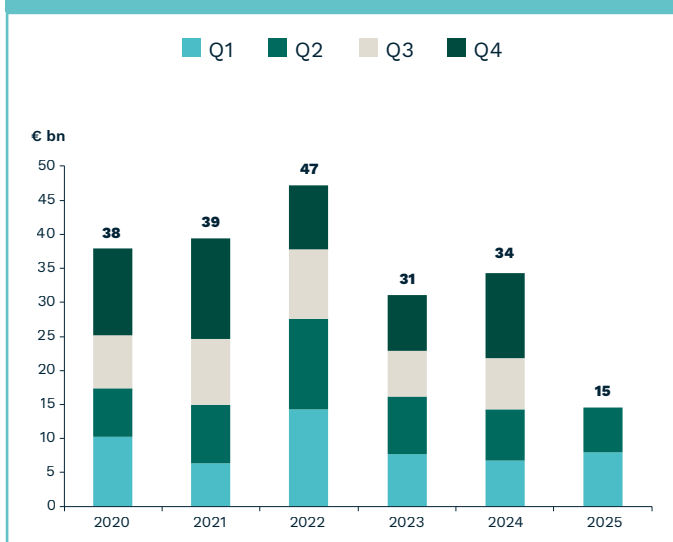
Prime yields for street-level retail, shopping centers, and retail parks remained generally stable during the first half of 2025 compared to the end of 2024, although signs of yield compression were observed in a quarter of the markets in the UK, Germany, Italy, and Spain. They range between 3.75% and 4.25% for high street, between 4.6%

and 12.0% for shopping centers, and between 4.9% and 8.75% for retail parks.

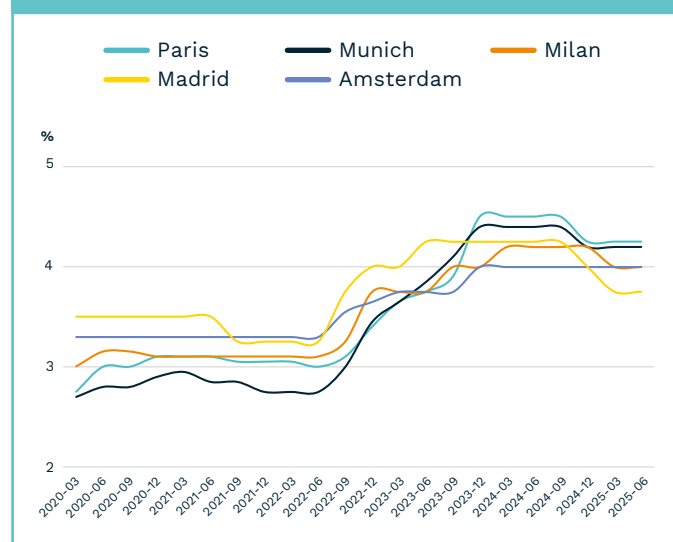
High street rents experienced a slightly stronger momentum than shopping centers in Europe during the second quarter of 2025. Retail parks also showed positive trends. This dynamism is explained by sustained demand from retailers for the best “prime” locations and low vacancy rates in these areas, which support rental growth.

At the end of the first half of the year, the combination of rising employment, wage growth and easing inflationary pressures has supported private consumption growth and retail sales on a y-o-y basis. However, leading indicators of household confidence in the euro area have remained unchanged well below their long-term averages. The risk of a negative demand shock due to a lack of confidence remains. Current uncertainties could prompt households to increase their precautionary savings significantly, which would dampen demand.

VOLUME OF RETAIL INVESTMENT IN EUROPE



PRIME NET INITIAL YIELDS FOR HIGH STREET





LOGISTICS: RESILIENT DESPITE AN UNSTABLE GEOPOLITICAL CONTEXT

INVESTMENT IN LOGISTICS REAL ESTATE IN EUROPE – 2025 Q2 (6 MONTHS)

€17 billion
(-3% year-on-year)

GROWTH IN E-COMMERCE TURNOVER IN EUROPE EXPECTED IN 2025/2024

+9% year-on-year

Logistics recorded a slight decline in investment volume in the first half of 2025 compared to the same period in 2024. The European logistics real estate market totalled just over €17 billion in the first half of 2025. Investments were concentrated in the United Kingdom and Germany, with between €2 billion and €7 billion invested in these two markets, followed by France, the Netherlands, and Italy with €1 billion to €2 billion in each of these markets. Spain had an investment volume of less than €1 billion.

Prime yields in logistics in Europe were stable in most markets at the end of the second quarter of 2025. However, there were also declines in several markets, particularly in Italy and Spain. Yields range between 4.4% and 6.25%.

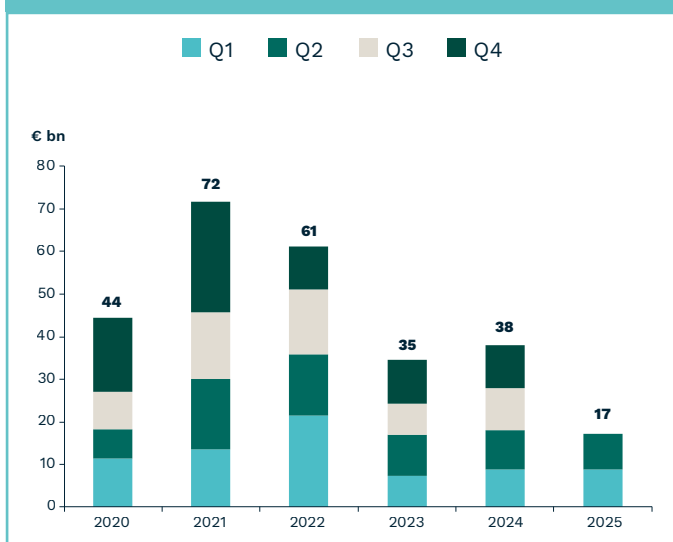
After gaining momentum at the beginning of the year, the occupier market showed signs of stagnation in the second quarter of 2025 compared to the same period in 2024. Net take-up totalled 7.2 million square metres in the first half of 2025, up from 6.8 million square metres in the same period in 2024. The manufacturing sector should be monitored closely as it could weigh negatively on demand due to uncertainties in the international environment (decline in domestic demand, geopolitical and trade tensions).

E-commerce growth will continue to support demand for logistics. While projections for e-commerce revenue in Europe are expected to exceed €900 billion, the redistribution of flows across Europe due to repeated shocks in recent years is ongoing. Several international retailers have indicated their intention to refocus efforts on the European market due to the asymmetric effects of increased US tariffs. To mitigate the risk of intensified online competition, various measures are currently being considered to tax small parcels from China in order to limit low-cost imports (such as Temu, Shein).

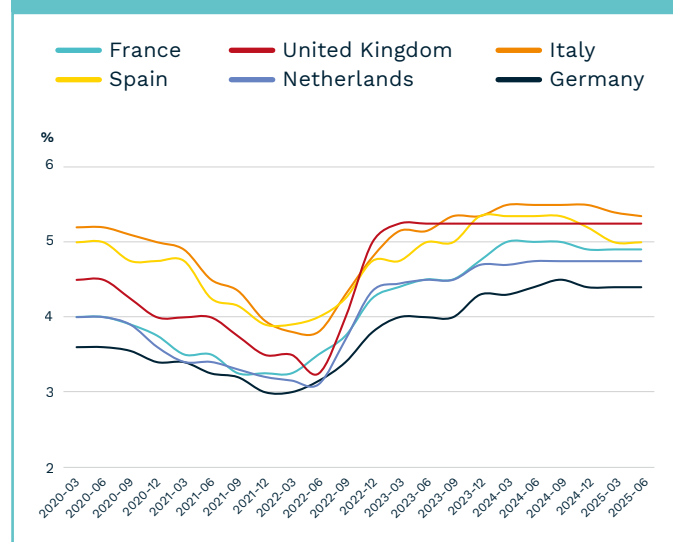
Vacancy rates are rising, and the 12-month development pipeline is also growing. While Spain and the United Kingdom have seen their vacancy rates decline, the other countries analysed have experienced gradual growth in available space. Vacancy rates in Europe vary between 3% and 9%.

Rents showed a very slight upward trend in the second quarter of 2025 in the vast majority of markets. On average, prime headline rents for the best warehouses rose by between 0.2% and 1.9%. They range between €56/m² and €130/m² in Germany, the Netherlands, Spain, Italy, and France.

INVESTMENT VOLUME IN LOGISTICS IN EUROPE



PRIME NET INITIAL YIELDS IN LOGISTICS



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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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