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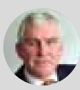
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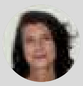
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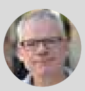
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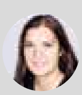
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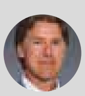
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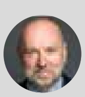
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CEOs remain sanguine amid stuttering market recovery

Welcome to the February edition of Real Asset Insight, our first publication of 2025 which, as we can conclude from the answers to our latest CEO sentiment survey (pages 11 to 41), promises to be "a year of transition".

As the survey makes clear, prospects for the real estate markets once again depend substantially on external factors, notably the level of interest rates, the possibility of continued economic stagnation and geopolitical events such as (still) the war in Ukraine, the fragile ceasefire in the Middle East, and the myriad consequences that flow from such events.

And, as we went to press, Donald Trump, fresh from stirring up international financial markets with tariff talk, had reportedly proposed to turn Gaza into "the Riviera of the Middle East". Views are already polarising, but whether you believe this was a misguided rant or a stroke of genius, such wild-card geopolitics seem likely to further undermine chances of the stable backdrop that investors crave.

Nevertheless, it is laudable that the CEOs who contributed to this year's survey provided answers that are quite so sanguine, and that their metaphorical feathers appear to have remained quite so unruffled.

Our CEO survey always draws much interest and generates interesting debate, so this year Real Asset Media is providing a forum to develop many of the themes identified by the survey, the inaugural CEO Outlook Summit.

Coinciding with the publication of the CEO survey results, this one-day event at the offices of RSM in London, will bring industry leaders from Europe and the US together to share strategy, research, insights and opportunities for the year ahead and will focus on global trends and the main influences on real estate and real assets in 2025.

Discussions will also look at the increasing focus on real assets, the role of FDI – another potential victim of a possible trade war, as Courtney Fingar explains (p58) – in urban development and how key trends such as technology, innovation and sustainable investment will influence the markets.

The CEO Summit is part of a full programme of events and investment briefings that Real Asset Media is planning this year, both live and online. Other events, for example, include the CEE Summit, to be held in Warsaw in June, and we are already again organising the highly successful International Investors Lounge at EXPO Real in October.

As a further foretaste of some of the issues that will no doubt emerge at these events, this edition of *Insight* also looks at the current preoccupations of real estate professionals active in debt financing and in the markets of the CEE, France and, of course, Germany.

2024 proved particularly hard for Germany, but there are signs there that the market is moving from restructuring to transaction activity. But there is no sense that the market is out of the woods yet. As Berlin Hyp's Assem El Alami states (p46) "...Germany is slowly picking up. In my view 2025 will be a moderately good year, but it could go the other way, especially if US president Trump's policies fuel inflation."

As we cast around for an equivalent aphorism to the simple and apt "survive to 25", perhaps one of the permutations of "get it fixed for 26" that are doing the rounds seems appropriate.


Paul Strohm
Managing editor

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Industry insight

Real Asset Live's series of events is an opportunity for industry leaders to continue sharing their views on the future of the market and the sector. Here are just a few of their insights.

'Financing markets and lenders are open for attractive financing opportunities, focusing on larger transactions, including both portfolio transactions and sales of individual properties with emphasis on ESG requirements.'

Justyna Kedzierska-Klukowska, head of Warsaw office, Berlin Hyp

'The French market is no longer focused on the Paris region alone. This year, for the very first time, Paris accounts for less than 50% of overall volumes.'

Cyril Robert, head of research, France, Savills

'The fundamentals of the [Polish] living sector are excellent. Build-to-rent is doing well and the biggest platforms on the market generate double-digit net returns. Residential only accounted for €400 million last year, but I am sure volumes will increase this year.'

Dorota Wysokińska-Kuzdra, senior partner and head of corporate finance for CEE, Colliers

'Germany is an amazing opportunity. Senior care is better funded than in the UK. We want to expand considerably in Europe, and we could invest €5 billion in Germany alone.'

Andrew Dawber, founding partner, Civitas Investment Management

'Foreign capital, especially family offices, seems to spot the opportunities before German players do, because they tend to see the glass half empty.'

Inga Schwarz, head of research, BNP Paribas Real Estate Consult

'We have had several big-money five-star hotel transactions in France in the last few months, and US investors cannot find enough assets to buy. US capital, mainly big family offices from New York, is looking to buy assets in Paris, in the south of France and the Alps. UK investors are also willing to return to France now to do investments.'

Alfred Fink, partner, Taylor Wessing

'In 2025, [German] transaction volumes might be a bit higher than 2024, but still nowhere near what was the norm five years ago. We need to attract foreign capital again, otherwise there is a real risk of a flat outlook for two years.'

Philipp Ellebracht, country head of Germany, Incus Capital

Data centre hotspots blur as AI raises space and power needs

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Artificial intelligence (AI), hybrid cloud adoption, and "the relentless" demand for data are together generating most of the pressure that is driving growth in the global data centre market.

Data centre operators are responding to demand with rapid expansion and innovation to meet customer needs, according to Knight Frank, which has just published its Data Centres Global Forecast Report for 2025.

This year the firm expects to see substantial investment in the European data centre market whose occupier market, as KF associate Oliver Weston points out, is underpinned principally by Microsoft, Amazon Web Services, and Google.

Knight Frank expects power shortages, permitting challenges, and regulatory constraints, all of which characterised the market in 2024, to play an even bigger role in 2025, putting available opportunities at a premium.

The FLAP-D markets – Frankfurt, London, Amsterdam, Paris, and Dublin – will remain important for end users and developers. But as operators take a more agnostic approach to established locations and go further afield in search of land and power, Tier 2 and 3 markets will experience significant growth. Markets such as Lille, Düsseldorf, Scotland and North England, Turin, Lisbon, and Bilbao will expand.

These markets will offer attractive IRR returns to early movers, "provided operating companies can strategically time their market entry to match cloud and AI demand", said Weston.

He added that KF expects greater flexibility and a more creative approach to power. This will include private wire solutions, gas turbine generation, or joint ventures with renewable and battery storage companies.

There is a weight of capital wishing to deploy into the sector, Weston pointed out, and the firm expects a yield premium of between 25 and 50bps for standing data centre investment assets over the equivalent industrial stock – reflecting the strong fundamentals of the data centre space and highly secure nature of the customer base.

Meanwhile, sustainability is now an imperative. "Data centre operators are adopting renewable energy solutions, advanced cooling technologies, and efficient infrastructure designs to align with global climate goals. Regulatory frameworks are also evolving, introducing stricter environmental and cybersecurity requirements," the report points out.

Politics blamed as German market faces stumbling blocks

Germany's real estate markets have stabilised, according to the German Real Estate Professional Association (IVD), which has stated that total investment in the country's property sector, both private and commercial, increased 5.5% year-on-year in 2024.

The sector attracted €242 billion, €12.6 billion more than in 2023, the association has concluded, based on real estate transfer tax revenue data produced by the Federal Ministry of Finance.

Although the association's president, Dirk Wohltorf, said that more movement in the markets and a still higher transaction volume is possible, there are potential stumbling blocks. "The brake is clearly politics. The highest building standards in Europe, massive market regulation and real estate transfer tax rates of up to 6.5% are clear obstacles for which politics alone is responsible," Wohltorf stated.

Dirk Wohltorf: "There are clear obstacles for which politics alone is responsible"

"There is also a lack of impetus to encourage prospective buyers to make the most important investment of their lives."

He said that what is needed is a reduction in property transfer tax and a waiver of taxation for first-time buyers who buy for owner occupation.

Looking at recent trends Wohltorf explained that in 2023, deal volume fell by 30.3%.

"However, we were already able to observe a slight consolidation in the second half of 2023. The bottom had been reached. Now, based on the figures for 2024, we are seeing a solid stabilisation in investments in real estate."

Investment activity up in Q4 2024, but recovery patchy

The final three months of 2024 were European commercial real estate's busiest quarter in two years for investment activity. But the market's recovery was patchy, according to MSCI's latest *Europe Capital Trends* report.

Property sales completed in the fourth quarter totalled €55.6 billion, an 11% increase from the same period a year earlier, the report showed. This took transaction volumes for the year to €188.8 billion, up 4% on the deal activity for 2023.

"The mood in the market is on the cautious side of optimistic, even though investment volumes have bottomed out and the correction in pricing appears to have run its course in the most liquid markets," said Tom Leahy, head of EMEA real asset research at MSCI.

The British, Swedish and Dutch markets appear to have improved, but lacklustre growth and political uncertainty held back investment in France and Germany.

The UK was Europe's most active market in 2024. Sales rose 26% from a year earlier, exceeding the combined deal activity for next-placed Germany and France. The UK was the first to slow during the downturn after a rapid revaluation at the end of 2022. Now there is growing pressure for certain in-demand assets, lifting pricing notably for industrial properties.

While the German market stabilised towards the end of 2024, annual investment was down 8% and at the weakest level since 2011. Sales activity was dominated by apartment transactions as landlords such as Vonovia reshaped portfolios and paid down debt. The French market contracted by a third last year, with sales volumes at the lowest since 2010, reflecting record-low office transactions.

Throughout the year, negative sentiment overshadowed Europe's office sector. 2024 was the worst on record for office transactions, by number of deals, as the working-from-home trend and obsolescence risk deterred investors.

Looking ahead, "the recent bond market volatility has implications for how real estate is priced and European economic growth is sluggish, while the volatile geopolitical environment presents other risks to prospects for Europe's real estate markets", said Leahy.

There are pockets of positive news. For instance, apartments, hotels and the industrial sector continue to attract capital. The data also shows investments made in the aftermath of a market correction outperform those made when the market is booming, "meaning 2025 could be an excellent fund vintage", Leahy said. "However, the drivers of property performance in this new cycle are fragmenting; the recovery is not happening everywhere and neither is it happening all at once."

Transactions by property type

	2024 volume		Q4 2024 volume	
	€bn	y-o-y (%)	€bn	y-o-y (%)
Office	42.4	-10	13.0	5
Industrial	40.4	11	11.9	7
Retail	31.7	-1	9.7	15
All commercial	114.5	-1	34.5	8
Hotel	20.9	57	5.2	52
Apartment	39.8	12	12	22
Seniors Housing & Care	4.1	-29	1.3	9
Development site	9.5	-24	2.5	-35
Total	**188.8**	**4**	**55.6**	**11**

Worboys returns with new logistics venture EGLS

Logistics property veteran Ian Worboys and two partners have teamed up with Middle East and North Africa-focused asset manager Kamco Invest to form a new investment and development company, European Green Logistics Space (EGLS).

The company will invest initially in the UK, France, Germany, Austria, Czechia, Slovakia and Poland, before targeting Spain, the Netherlands and Italy.

EGLS CEO Worboys has co-founded the company with Amos Chia (chief investment officer), formerly Crossbay's head of acquisitions, and Glen Lonie (chief financial officer), Cushman & Wakefield's former head of asset management for CEE.

"This feels like an opportune time to be investing when demand for modern, sustainable facilities remains strong, but supply is decreasing," Worboys said.

EGLS will provide modern, sustainable big box and urban logistics facilities by acquiring existing assets which can be improved, retrofitted and turned into modern, sustainable facilities, as well as through development. Its aim is that all projects will meet the highest standards of sustainability.

"Sustainability is at the heart of what we do, and we believe there is a great brown-to-green opportunity, converting outdated units into modern, sustainable facilities, as well as carrying out new developments that meet modern ESG requirements," Worboys added.

(Left to right) Glen Lonie, Ian Worboys and Amos Chia

Cost and length of daily commute a serious impediment to office return

Corporate leaders' campaigns to persuade employees to return to the office may be creating conflict which recruitment firm Robert Walters is referring to as a "travel rift", and which prompts managers to implement a "hushed hybrid" mode where partial working from home is tolerated.

Undertaking research that may have considerable resonance for owners of office portfolios, the recruiter polled 2,000 UK professionals which revealed that the profusion of return to office (RTO) mandates may be creating a rift between employers and employees currently, in part at least, working from home (WFH).

High and rising commuting costs appear to be the main bone of contention as employers increasingly insist that employees return to the office.

"Calls for a return to office have only gotten louder this year, as leaders increasingly view them as being key to enhancing productivity and workplace culture," said Robert Walters' Midlands director Habiba Khatoon. "As the pandemic gave rise to hybrid working as a standard, RTO mandates are leaving many professionals with longer, more expensive journeys into the office."

The cost and time spent commuting puts off many from returning to the office

[Image: Viktor Forgacs/Unsplash]

'HUSHED HYBRID' WORKING

The survey showed that 41% of UK managers would consider "hushed hybrid" working to provide the flexibility for staff to work from home "quietly". It also revealed that 60% of professionals were willing to remain in a lower-paying job with greater flexibility, rather than switching jobs solely for a salary hike.

"Managers are in a tight spot where they must keep both company leaders and their teams satisfied. With louder calls to return to the office, many are being assigned the task of balancing improving office attendance while still offering flexibility to staff," Khatoon explained.

Half (52%) of UK professionals stated that commuting distances are a major factor when considering a new job role. However, 84% of UK professionals said they do not receive any help with commuting costs from their employer.

The number of "super-commuters" – those travelling at least 90 minutes to get to work – rose during and immediately after the pandemic as hybrid working arrangements meant professionals could move out of major cities.

However, less than a fifth (18%) of professionals are now willing to spend up to two hours travelling into the office, with even less (6%) ready to commute for longer than that, according to Robert Walters data. Furthermore, 39% stated that they would commute for up to an hour, while 37% said they would not travel for more than 45 minutes.

Driving or using public transport are the most popular modes of getting to and from the office in the UK – and with fuel prices still high and rail fares expected to go up by more than 4% this March, prices are not expected to get any more affordable. A third of professionals in London already spend more than £200 each month commuting to work – as do a quarter of those in based in the Midlands.

Pre-pandemic, commuting costs were 6%-10% of professionals' salaries on average. Currently, that figure is 1%-5% of monthly salary.

More days in the office could cause commuting prices to edge closer to pre-pandemic levels, according to Robert Walters. "Rather than firms engaging in traditional salary wars – this year, we could see companies compete by ramping up travel subsidies, flexibility or allowing staff to commute in during off-peak periods to help combat rising costs," Khatoon said.

'Calls for a return to office have only gotten louder this year, as leaders increasingly view them as being key to enhancing productivity and workplace culture.'

Habiba Khatoon, Robert Walters

2025 – a year of repositioning

Real Asset Insight's annual CEO Sentiment Survey again has provided a fascinating insight into the year just gone and the consequent approaches that we are likely to see in the year ahead.

The real estate market in 2024 proved to be one of the most challenging in recent memory, shaped by macroeconomic uncertainty, rising interest rates, and geopolitical volatility – many respondents described the year as the most difficult for capital markets since the GFC. Investor caution remained high, particularly in the first half of the year.

However, by mid-year, a sense of stability began to emerge, with prime assets and well-located properties seeing rental growth, largely due to supply constraints rather than increased demand.

Looking ahead to 2025, respondents point to a mix of challenges and opportunities. While interest rates are expected to stabilise or decline modestly, earlier optimism has been tempered. Investors remain wary, with geopolitical risks, economic stagnation in some regions, and regulatory pressures such as ESG compliance, posing significant hurdles.

Despite these headwinds, there is a prevailing sense that 2025 will be a transitional year, with growing investor appetite in select areas.

Strategies for the year ahead reflect this cautious optimism. Investors are looking to rebalance portfolios, maintaining exposure to core real estate sectors, while increasing allocations to alternatives.

While most respondents share a broadly similar outlook, there are exceptions. A few anticipate a more rapid recovery, believing that stabilising interest rates and pent-up capital will drive a resurgence in transactions. Others remain deeply concerned, arguing that political uncertainty and high borrowing costs could prolong the downturn.

What is clear, however, is that 2025 will be a year of repositioning – one in which agility, strategic foresight, and disciplined execution will determine success.

Offices revive as demand for alternatives grows

Rob Wilkinson
AEW

How would you describe the 2024 real estate year?
From a capital markets perspective 2024 was undoubtedly one of the most challenging years for our industry since the global financial crisis. Whilst the real estate markets started to stabilise half way through the year, the rise in interest rates had its full impact on transaction activity and capital raising in 2024. Investors remained understandably cautious as the uncertain macro environment was compounded by the volatile geopolitical situation.

On a more positive note, the occupational markets across pretty much all asset types performed relatively well. The industry continued to see a bifurcation in the markets between prime and secondary assets and locations, with the better assets seeing good rental growth, notwithstanding the macro environment. Admittedly this was driven more by lack of supply than increased demand.

Despite negative sentiment towards offices, we saw strong rental growth in prime markets such as London and Paris. Sentiment towards retail has also clearly improved as the sector continues to adapt to a multi-channel approach. Logistics and residential continue to benefit from the long-term consumer and demographic trends.

What are the main challenges facing the sector in general and your company in particular in 2025?
The biggest challenges for our industry in 2025 are factors that are extraneous to the real estate markets. The macroeconomic picture, alongside geopolitical risks, may continue to dampen investor sentiment, affecting transaction volumes and capital raising at the beginning of the year.

It seems likely that interest rates will not fall as rapidly or as significantly as was anticipated last year, which again may temper investor appetite for real estate. However, we should not lose sight of the fact that interest rates will be at worst stable and more likely will reduce somewhat during 2025. This is clearly a much more benign environment for real estate than we experienced in 2022 and 2023 in particular.

Key takeaways for 2025

- **Occupational markets to continue showing resilience**
- **Offices to stage a revival as occupiers attract workers back**
- **Alternative real estate to play a greater part in portfolios**

'We should not lose sight of the fact that interest rates will be at worst stable and more likely will reduce somewhat during 2025.'
Rob Wilkinson, AEW

Another trend, which is also an opportunity, is the broadening of the investment landscape to alternative types of real estate such as life sciences, healthcare and data centres. These are relatively nascent sectors in Europe, so it can be challenging to access investments and achieve scale. However, we will continue to see significant activity in these areas this year.

What are the main elements of your strategy for the year ahead?
2025 will be a transitional year for real estate markets. We anticipate growing demand for alternative real estate such as data centres and technology-related assets, largely as a result of the surge in AI investment.

We also anticipate a revival in some of the more traditional sectors. The office sector has had a bruising couple of years as the post-covid work-from-home trend has negatively impacted investor sentiment. However, from an occupational standpoint, prime offices have been much more resilient in Europe than many expected. Prime rents have continued to rise, mainly due to lack of supply, but demand has also refocused on CBD locations as occupiers try to attract workers back to the office.

We expect the occupational market for prime offices to remain strong as new builds remain muted due to high construction costs and lack of finance. In our latest market outlook, published in November 2024, prime offices are forecast to be the top-performing sector in Europe over the next five years.

The other traditional sectors should also deliver good returns as interest rates stabilise and supply remains constrained. As a result, we expect the rebalancing of investors' portfolios to continue with a target to have a broadly equal share of traditional sectors alongside a growing alternatives portfolio.

We also believe that real estate debt investments will continue to be relatively attractive for investors as a number of borrowers continue to work through financing challenges. We do not expect a wave of distressed or non-performing loan deals, but there will be interesting opportunities to structure debt or preferred equity investments in capital structures in need of further capital.

Sidelining sustainability in projects is a mistake

Steffen Szeidl
Drees
& Sommer

How would you describe the 2024 real estate year?
The beginning of the year was undoubtedly challenging, but it also brought new approaches. Just as the coronavirus crisis accelerated digital transformation, the multi-crisis we are currently experiencing is driving innovation.

Economic pressure has forced companies to radically review their business models and develop new services. For instance, many project developers and investors, who previously focused on office or residential real estate, have considered entering new asset classes. One example is the market for data centres, where demand is very high due to developments in the AI sector.

Later in the year, the ECB's decision to cut key interest rates positively impacted property prices. Transactions and project developments have increased again. Demand for residential space remained high, while new construction has been declining, which explains the rise in prices. Conversely, office properties remained problematic as many companies, adapting to the remote work trend, have reduced their office space to cut costs. This has resulted in rising vacancy rates and falling property values in many areas.

What are the main challenges facing the sector in general and your company in particular in 2025?
The real estate industry began to recover in 2024, but the construction sector still faces significant challenges. Consequently, many projects have sidelined sustainability, which is a mistake. Sustainability will be even more critical in 2025, driven by the CSRD reporting obligation. Neglecting a consistent decarbonisation path threatens property portfolios with substantial losses in value in the medium to long term. To achieve climate targets, the sector must remain committed to climate-friendly solutions for both new and existing buildings.

Key takeaways for 2025

- **Sustainability will remain a critical objective for real estate**
- **Infrastructure and energy will become more prominent**
- **Germany will need to address regulations to facilitate building**

In Germany, our domestic market, the slow pace of construction is often blamed on excessive regulations. Approximately 20,000 construction-related standards dictate every detail, from wall thickness to handrail heights. These regulations aim to ensure safety, quality, and sustainability: goals we must not lose sight of. However, we need to find more efficient and cost-effective ways to achieve these objectives.

This is where 'building type E', an initiative aimed at simplifying and reducing costs in the construction industry, comes into play. The concept aims to eliminate costly comfort standards or certain technical norms without risking lawsuits. At the same time, building type E adheres strictly to essential protection goals such as stability, fire protection, and environmental protection. This approach allows less critical requirements to take a back seat, enabling faster approval processes.

We are witnessing a significant shift from traditional real estate to infrastructure and energy sectors across nearly all countries. The global focus is on addressing climate change, enhancing building efficiency, and developing robust infrastructure. Even as governments face financial constraints, they must invest in maintaining and upgrading their existing structures. Consequently, we anticipate future demand beginning with waterproof solutions along the coast, followed by improvements in roads, bridges, and transportation networks, as well as the development of new energy sources and distribution systems.

What are the main elements of your strategy for the year ahead?
Our long-term strategy aims to shape a sustainable future and achieve a positive, tangible impact on the built environment. This can be achieved by actively implementing policies, concepts, and solutions such as serial renovation, new technologies, AI, and digital platforms, which can boost the circular economy.

We will continue to invest in sustainability and digitalisation. We are facilitating cross-industry exchange to drive the decarbonisation of the economy. Industry, mobility, heating and electricity must be integrated to achieve the energy transition.

We will also intensify our focus on advising clients on distressed or stranded assets. Traditionally considered risky, these properties are now seen by many investors as an opportunity to acquire assets below market value and exploit the potential to add value. Demand is growing, particularly in urban areas where the limited supply of new-build space makes such investments even more appealing.

> **'To achieve climate targets, the sector must remain committed to climate-friendly solutions for both new and existing buildings.'**
> Steffen Szeidl, Drees & Sommer

Resilient strategies key in evolving landscape

Alex Jeffrey
Savills Investment Management

How would you describe the 2024 real estate year?
The real estate sector in 2024 demonstrated remarkable resilience amid a backdrop of global challenges that tested its adaptability. Geopolitical instability, including conflicts in Europe and the Middle East, created ongoing macroeconomic uncertainty, disrupting supply chains and investor confidence. Simultaneously, the persistence of high inflation and elevated interest rates placed significant pressure on capital flows, leading to recalibrations in asset valuations.

Despite these headwinds, the income-generating attributes of real estate proved indispensable for institutional portfolios, though performance outcomes varied considerably across asset classes and geographies.

Real estate's income-based nature proved particularly robust during the year. However, success was not evenly distributed, with performance highly dependent on sectoral and geographic considerations. The logistics and living sectors, supported by enduring structural imbalances between supply and demand, outperformed.

Private real estate debt also presented compelling opportunities as traditional lending patterns shifted.

Meanwhile, sustainability emerged as a cornerstone of investment strategies, with resilient, low-carbon assets offering a blend of financial stability and environmental benefits that resonated with investor priorities.

Reflecting on 2024, it is evident that adaptability, specialisation, and a focus on long-term resilience were pivotal to weathering the challenges of the year. These insights will continue to guide the sector as it approaches the opportunities and obstacles of 2025.

Key takeaways for 2025

- **Sectoral divergence will be a prime theme**
- **High inflation and interest rates still present obstacles**
- **Sustainability underpins all strategic considerations**

What are the main challenges facing the sector in general and your company in particular in 2025?
As we step into 2025, the real estate sector faces a complex and evolving landscape marked by both macroeconomic pressures and industry-specific challenges. Geopolitical tensions continue to influence global markets, with the potential to destabilise supply chains and investor sentiment further.

'This environment demands cautious and informed investment decisions, underscoring the importance of risk management.'
Alex Jeffrey, Savills Investment Management

While inflation and interest rates show signs of stabilising, their elevated levels still present obstacles for financing structures and asset valuations. This environment demands cautious and informed investment decisions, underscoring the importance of risk management.

Another pressing challenge lies in evolving regulatory frameworks, particularly around sustainability and carbon neutrality. Real estate managers and investors are increasingly required to meet ambitious ESG targets, driving innovation in asset management, operations, and development. This shift reflects growing demand for transparency, accountability, and actionable results from both investors and occupiers.

Operational complexity is also increasing, with occupiers expecting assets to perform at higher levels of financial and environmental efficiency. Addressing these needs requires proactive management and rigorous cost controls.

Sectoral divergence is set to define 2025. The living, logistics, and natural capital sectors are expected to remain resilient due to strong structural fundamentals. There will be niche opportunities in parts of the more traditional office and retail sectors but overall those markets will continue to face structural challenges.

Sustainability represents both a challenge and an opportunity. The transition to a low-carbon future aligns with regulatory requirements and investor priorities while also unlocking significant long-term value. Resilient, sustainable assets will likely prove key to addressing these objectives.

What are the main elements of your strategy for the year ahead?
Real estate strategy is likely to hinge on three foundational pillars: resilience, sustainability, and specialisation. These principles are essential for navigating the evolving real estate landscape and capitalising on emerging opportunities while managing market complexities.

The living sector remains a cornerstone of strategic focus. With critical housing shortages and increasing rental demand across Europe and Asia-Pacific, this sector demonstrates exceptional resilience.

These dynamics are expected to drive continued real rental growth, offering stable income streams and long-term capital appreciation.

Similarly, logistics and urban industrial assets continue to attract investment due to their low vacancy rates, regionalised supply chains, and occupiers' willingness to pay a premium for modern, efficient infrastructure. The scarcity of developable land, particularly in urban areas, further reinforces the sector's outlook.

Beyond these core sectors, real estate debt and natural capital present significant opportunities. As traditional banks remain cautious on lending, private lenders are stepping into funding gaps, offering attractive, risk-adjusted returns. Natural capital investments, including sustainable forestry and regenerative agriculture, align financial returns with environmental stewardship, making this sector increasingly appealing to long-term investors.

Sustainability underpins all strategic considerations. By targeting low-carbon, resilient assets, the real estate sector can mitigate environmental risks while delivering superior long-term performance. Combining local expertise with global reach ensures tailored strategies will thrive across market cycles and address the stakeholders' unique needs.

Innovation and data-driven decision-making are also expected to play a key role. Staying ahead of industry trends and fostering a forward-looking perspective will be essential to navigate the challenges of 2025 and beyond, while delivering sustained success across the sector.

As always, an established, experienced on-the-ground presence in the relevant investment market will be crucial.

The current environment presents opportunities

Arvi Luoma
Cain International

How would you describe the 2024 real estate year?
The 2024 market proved to be a challenging period of transition, with activity remaining muted for much of the year. By the end of Q3, it became clear the market had bottomed out, hitting the lowest point of the cycle. Q4 brought a welcome shift, with indications of positive momentum starting to build across LPs, investors, and occupiers.

We believe this renewed activity signals a more positive market heading into 2025, laying the groundwork for measured and strategic progress. While the recovery may be gradual, the growing alignment among key players offers reason for optimism about the year ahead in real estate.

What are the main challenges facing the sector in general and your company in particular in 2025?
Despite these encouraging signs of improvement, we don't anticipate a rapid transformation in the near term. Inflationary pressures remain an uncertain and significant challenge, with most forecasting that economic policies in the US and UK will result in interest rates remaining high. These conditions require close attention. That said, this type of environment presents opportunities for those that are able to adapt, remain focused, and execute thoughtfully. For us, it's about steering through these challenges while continuing to uncover and act on areas of genuine value creation.

Key takeaways for 2025

- **Activity in Q4 last year signals a more positive market this year**
- **Rapid transformation in real estate fortunes not anticipated**
- **Market turbulence will bring opportunities for some**

What are the main elements of your strategy for the year ahead?
Looking ahead, we see significant potential in sectors where the fundamentals remain strong and where our distinct advantages position us to capitalise on opportunities. In Europe, we are focused on student housing, logistics and net leases, with plans to significantly grow these verticals through targeted developments and selective investment partnerships.

At the same time, we are expanding our global luxury real estate and brand investment platform, leveraging our unique access and expertise to deliver enduring value through our flagship investments, including Aman, Delano, and One Beverly Hills.

'We believe that renewed activity in 2024 signals a more positive market heading into 2025, laying the groundwork for measured and strategic progress.'
Arvi Luoma, Cain International

DUEL megatrends will shape investment scene

Asoka Wöhrmann
Patrizia

How would you describe the 2024 real estate year?
2024 was another transitional year for the real asset industry. On a positive note, interest rates and inflation have started to stabilise, bringing some much-needed clarity and supporting market recovery heading into 2025. However, the sector still faced pressure from ongoing macroeconomic and geopolitical challenges, which have impacted our industry and the construction sector.

The real assets industry is undergoing a fundamental transformation, driven by the digital, urban 2.0, energy and living transitions, the so-called DUEL (Digital, Urban, Energy and Living) megatrends. These shifts are reshaping investment opportunities, and investors are increasingly aligning with our analysis of these trends. There is a growing interest in digital infrastructure, the energy transition and in real estate investments, particularly in the living and alternative value-add spaces.

Additionally, investors are increasingly recognising our ambition to become a smart real asset investment manager of choice. This is underpinned by our longstanding expertise, data-driven insights, local presence and our commitment to creating a new real estate infrastructure asset class. The convergence of real estate and infrastructure will continue to define the industry's evolution and drive the ongoing recovery in 2025 and beyond.

What are the main challenges facing the sector in general and your company in particular in 2025?
The real assets sector in 2025 faces significant challenges driven by the ongoing transformation of our industry and society, particularly through the DUEL megatrends. These shifts, combined with the broader economic recovery, present both challenges and opportunities for Patrizia.

Key takeaways for 2025

- **There will be a convergence of real estate and infrastructure**
- **Increasing interest in value-add and living strategies**
- **Technology will be key to modernising built environment**

A key area of focus for us is value-add living, where modern investments must embrace digitalisation, connectivity and smart city solutions alongside renewable energy infrastructure. These elements are essential in meeting the evolving needs of urban environments while ensuring long-term asset value.

Moreover, strengthening our impact investment strategy remains crucial, with a particular emphasis on affordable housing and social infrastructure across Europe. This aligns with our commitment and purpose to create smarter and more sustainable communities for the future.

Lastly, building on our 40-year history in real estate and infrastructure investments, we aim to expand our European presence, attract more international capital and further develop our platform in Asia-Pacific and Japan. Balancing these growth objectives with technological innovation and sustainability will be key to navigating the rapidly evolving investment landscape.

What are the main elements of your strategy for the year ahead?
Patrizia's 2025 strategy focuses on our mid-term vision to become the smart real asset manager of choice, with a clear focus on driving the convergence of real estate and infrastructure.

We have identified five main growth areas to reach our ambition of €100bn assets under management by 2030: living; value-add; European infrastructure; and the expansion of our independent investment platform, AIP.

In 2025, value-add and living investment will be a core priority, targeting opportunities in brown-to-green retrofits and sustainable development. This reflects the growing need to decarbonise the built environment and address the critical demand for affordable housing.

On the infrastructure side, we will continue investing in technology-driven solutions that advance the energy transition and support the development of smart cities, powered by increasing digital connectivity across economies and societies.

Technology will be a decisive factor in both modernising the built environment and enabling the merging of real estate and infrastructure. Our goal is to lead this transformation, delivering innovative, sustainable investment opportunities that shape smarter urban living and build the resilient infrastructure necessary for future societies and economies.

'The convergence of real estate and infrastructure will continue to define the industry's evolution and drive the ongoing recovery in 2025 and beyond.'
Asoka Wöhrmann, Patrizia

Data will play a key role in investment decisions

Elmar Schoonbrood
Multi Corporation

How would you describe the 2024 real estate year?
It is fair to say that the market in 2024 was subdued overall, although there were some pockets of investment opportunities in selected subsectors. At a macro level, the combination of falling inflation across Europe and reductions in short and long-term interest rates created a more appealing investment market, and we'd expect that to continue into 2025. That said, there are clearly headwinds, not least the relatively weak GDP growth in certain countries and significant geopolitical volatility.

It is also important to recognise that not every sector is in the same position. For example, while the office market remains challenging as owners look to adapt to changing working patterns and new environmental regulations, the logistics sector continues to be operationally strong, albeit there has been some repricing.

Key takeaways for 2025

- **Lack of retail supply creates foundation for growth**
- **Geopolitical volatility is biggest threat to real estate**
- **Companies will need to adapt fast to technological changes**

Demand for data centres has been high, and this will continue to be the case, driven by the insatiable need for new locations as a result of the rapid growth of AI and a chronic lack of supply.

Perhaps surprisingly, we've seen a much-improved performance from retail assets, especially dominant shopping centres and grocery anchored convenience locations. The average supply of new retail space opened per year has dropped by more than 60% over the last seven years compared with the long-term average, so there is now a solid foundation for future value growth.

What are the main challenges facing the sector in general and your company in particular in 2025?
The single biggest risk for the real estate sector is geopolitical volatility. Furthermore, a weak macroeconomic performance and a lack of clarity about the long-term trajectory of interest rates could have a significant impact over the next 12 months, as both of those factors play an important role in investment decisions, and can influence consumer sentiment.

More broadly, technological advances such as AI represent both an opportunity and a challenge for real estate, as companies will need to adapt and swiftly respond to a backdrop that is changing more quickly than most anticipated.
On top of that, across Europe asset owners are also facing more stringent environmental regulations.

What are the main elements of your strategy for the year ahead?
Multi Corporation is a pan-European platform for integrated real estate management services, and one of the leading European retail managers and repositioning experts.

On the back of more than 160 assets we manage across the UK and Europe, we have access to a wealth of data, and harnessing the potential of that through the implementation of technology, and AI in particular, will be a key focus for us in 2025 and beyond. The potential for this is enormous, and we're confident it will have a significant and powerful impact on how we make asset management, leasing and investment decisions.

'Perhaps surprisingly, we've seen a much-improved performance from retail assets, especially dominant shopping centres and grocery anchored convenience locations.'
Elmar Schoonbrood, Multi Corporation

We also see huge opportunities in certain subsectors of the retail market that, in our view, are currently poorly managed and underinvested.

Another key differentiator for Multi is our in-house development team, and we see significant scope to expand our activities in this area in 2025, particularly when it comes to retail-to-residential and office-to-residential conversions. Despite the headwinds facing real estate, with our vertically integrated model, extensive track record, and unrivalled data capabilities, Multi is entering the new year with confidence.

Investors seek the best assets in flight to quality

Katarzyna Zawodna-Bijoch
Skanska Commercial Development Europe

How would you describe the 2024 real estate year?
It was relatively good year for real estate in CEE. We could observe the industry's growing confidence, though it was not uniform across the region. The largest markets, such as Warsaw and Prague, benefited from increasing investment activity (with Czech, Nordic and Baltic investors being most active) driven by easing interest rates and improving financial conditions.

There was a strong 'flight-to-quality' trend among both tenants and investors. Overall, office demand remained below pre-pandemic levels, but there was a notable increase in appetite for high-quality, centrally located office spaces, accompanied by rising prime rents.

At Skanska, we have long focused on premium ESG projects in the best, most vibrant locations, positioning us well to benefit from these trends. In 2024, we closed three major deals in the Polish market: Studio B in Warsaw, Nowy Rynek E in Poznań, and P180 in Warsaw.

We also launched the H_2Offices project in Budapest, advanced the second phase of Studio in Warsaw, and worked diligently to prepare several future projects. These initiatives emphasise Skanska's commitment to reducing CO2 footprints and futureproofing our developments to meet evolving market demands. Our approach prioritises energy efficiency, resource utilisation through smart solutions and AI, and reducing whole-lifecycle carbon emissions.

In addition, we focus on creating human-centric spaces that enhance occupants' experience in lively, well-connected locations.

Looking back, in 2024 despite ongoing challenges, the industry has demonstrated resilience and emerged stronger, setting the stage for future growth.

Key takeaways for 2025

- **Asset repositioning expected to mitigate obsolescence**
- **Investment activity in CEE region expected to pick up**
- **More diverse pool of investors expected to focus on the region**

What are the main challenges facing the sector in general and your company in particular in 2025?
The world we live and work in remains highly complex, with geopolitical and economic challenges creating a multidimensional environment. In 2025, the CRE sector, including our company, will need to navigate several challenges while leveraging emerging opportunities. These can be summarised as follows:

Economic and geopolitical pressures: Inflation, fluctuating energy costs, and deficits will continue to impact operational expenses and investment decisions. Poland and the CEE region's strategic location and healthy economic fundamentals help mitigate some risks, but proactive management is required.

Regulatory and sustainability demands: Carbon regulations are becoming stricter, demanding innovative solutions to reduce emissions across entire project lifecycles. The pressure to meet ESG standards is both a challenge and an great opportunity.

Construction costs and tight labour markets: Rising construction costs and competition for skilled workers remain significant hurdles. Talent acquisition will be critical, particularly in Poland's tight labour market, to support project delivery and innovation.

Asset polarisation and repositioning: The ongoing flight-to-quality trend will drive demand for high-class properties, but it will also increase the gap between best-in-class assets and obsolete buildings. This will lead to further repositioning, including office-to-residential conversions.

Despite these challenges, 2025 presents a range of opportunities.

First, moderate economic growth and easing interest rates will likely improve investment activity in the CEE region. The demand for premium office spaces is expected to extend beyond Warsaw, Prague and Budapest to benefit strategically located markets.

Second, the rental living market and mixed-use developments will gain traction, supported by urbanisation and changing tenant demands.

And finally, a more diverse pool of investors, including those previously focused on Western Europe, is expected to redirect attention to the CEE region. This creates opportunities for high-value transactions and partnerships.

> **'The ongoing flight-to-quality trend will drive demand for high-class properties, but it will also increase the gap between best-in-class assets and obsolete buildings.'**
> Katarzyna Zawodna-Bijoch, Skanska

At Skanska, we closely observe the market, identify and understand challenges and, based on that knowledge, look for ways to innovate and grow to grasp potential of opportunities. By focusing on great office projects, expanding into rental living and mixed-use developments, and maintaining our leadership in ESG, we look with cautious optimism into 2025.

What are the main elements of your strategy for the year ahead?

In 2025, Skanska will further develop high-class projects in the best locations and continue to prioritise office spaces, viewing them as essential hubs for business and collaboration. Our strategy will help us continue to create projects that meet the needs of tenants and investors, while creating lively, amenity-rich destinations in cities. Sustainability remains at the core of our approach, while forging ahead with our ambition to be net zero by 2045.

We will continue to focus also on digital innovations. For example, Studio A in Warsaw will feature a digital twin, an AI-driven intelligent system with predictive measures to optimise energy usage. The Connected by Skanska app enables efficient management of lighting, parking, and access. Such innovations reflect Skanska's commitment to creating adaptable, future-ready properties, reducing operational costs and meeting investor expectations for future-oriented buildings.

Furthermore, we want to diversify our portfolio by targeting rental living and mixed-use projects. We are well-positioned to capitalize on these new emerging opportunities having a very attractive land bank.

We enter 2025 with the aim of focusing on growth, innovation, and creating spaces that drive value for our clients, tenants, and communities.

More Insight

Offices to lead 2025 growth

The European real estate market is "poised for a period of recovery and growth" after what has been a challenging few years for the sector, according to Cushman & Wakefield's EMEA Outlook 2025 report.

"The stabilisation observed in 2024, coupled with a more positive macroeconomic outlook, improved business and consumer confidence, and easing interest rates, sets a strong foundation for the year ahead. The stage is set for the property sector to rebound more meaningfully going into 2025," said Sukhdeep Dhillon, head of EMEA forecasting at C&W.

Economic indicators such as GDP growth are improving, labour markets are more resilient and, together with more favourable financing conditions, this is expected to provide positive momentum for the market in 2025.

"As market volatility moderates, we foresee a gradual compression of prime yields, signalling a positive outlook for capital growth and total returns and promising opportunities for investors willing to deploy capital strategically," Dhillon said. She added that a second Trump presidency in the US is a wild card, "but it's worth remembering, European property proved to be very resilient under Trump's first term. In fact, prime property values appreciated by 25% while Trump was in office."

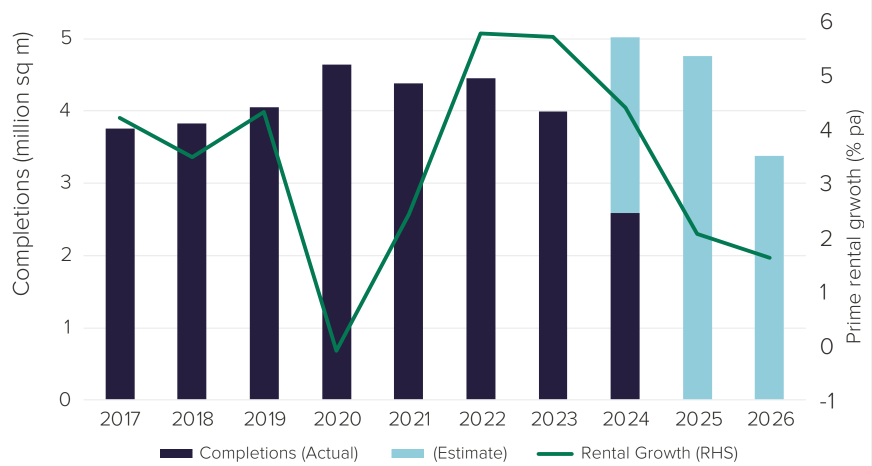
Office prime rental growth is expected to lead the field with Cushman & Wakefield forecasting average growth of 2.1% across Europe in 2025, followed by retail and logistics at 1.9%.

C&W pointed out that in 2024, more than half of Europe's office markets, including London, Brussels, Madrid, and Barcelona, registered solid demand and resilient occupancy, but driven by a preference for quality and prime locations. Grade A leases now make up over 50% of activity in leading cities, up from just over 40% in 2019.

Cushman & Wakefield foresees continued upward pressure on rental growth in the region of 2.1% in 2025 and 1.6% in 2026. Completions are expected to peak at 5 million sq m this year, before coming down slightly to 4.8 million sq m in 2025 and 3.4 million sq m in 2026.

Beyond 2025, carbon reduction and climate risk will continue to shape long-term strategies and EU regulations are expected to further affect asset values, leasing terms and tenant demand.

Office completions and rental growth



We laid the groundwork in 2024 for future growth

Neil Slater
Redevco

How would you describe the 2024 real estate year?
The year was characterised by both challenges and opportunities. It was a relatively muted period for the real estate market as a whole, with limited momentum for most of the year and ongoing macroeconomic pressures. Stabilising interest rates brought some optimism, and transactional activity gained momentum toward the end of the year, but the market remained cautious.

Despite this, certain sectors with stable income or clear value-creating opportunities performed well, including retail parks, and some logistics markets. There were also some interesting discounts on stressed positions in offices and overstretched residential developments.

For those with capital to deploy, 2024 offered opportunities to capitalise on market dislocation and timing. Redevco took advantage of this environment, closing significant deals, including the acquisition of a portfolio of 16 UK retail parks from Oxford Properties for around £500 million.

Internally, 2024 was a year of transformation and progress for Redevco. We used this time to lay the groundwork for future growth and diversification. We made strategic hires, launched new business lines, including real estate debt, and a new opportunistic strategy to provide us with a diversified offering in uncertain markets and differing cycles.

What are the main challenges facing the sector in general and your company in particular in 2025?
The real estate sector enters 2025 with a mix of persistent and emerging challenges. Macroeconomic conditions, including inflation, material cost pressures and elevated financing costs remain significant obstacles.

Key takeaways for 2025

- **Opportunities exist for those with capital to deploy**
- **Proving real estate's relative value is growing in importance**
- **Investment in people vital to Redevco achieving objectives**

Primarily, the industry must demonstrate its worth as an investment in an environment where risk-free rates remain attractive in many countries. This challenge of proving relative value is becoming increasingly important.

Industry consolidation is expected to accelerate, particularly in investment management, as firms either scale up, or specialise to remain competitive. There are signs of improvement in the market, with financing costs beginning to decrease and banks showing greater appetite for lending.

For Redevco, 2025 is a pivotal year. We are focused on delivering key projects while driving growth in our new business lines. Expanding global partnerships is a top priority, both to diversify our portfolio and to attract third-party capital.

Sustainability and community impact remain central to our mission, as we look to create transformative real estate. Success in 2025 will be measured by our ability to execute, adapt, and make the right return with a meaningful impact.

What are the main elements of your strategy for the year ahead?
Our strategy centres on the three fundamental pillars that will drive our growth. First, we're continuing to focus on retail parks – a core competence for Redevco. Next, we will continue to develop/redevelop mixed-use assets in city centres: and we have many projects close to finalisation in 2025. We see these as fantastic opportunities to combine stable income streams with redevelopment potential. Linked to this, we continue to make small but meaningful strides in the living sector.

Our real estate debt business expects to close its first deal early this year, marking an exciting milestone for the company. Similarly, our special situations business, Redevco Capital Partners, launched in 2024, is gaining momentum and is set to close its first deal in London.

A key strategic focus is developing our third-party capital relationships. We're actively seeking partnerships with investors from across the globe to co-invest alongside our proprietary balance sheet, enabling us to amplify our market presence and diversify our portfolio.

We maintain our unwavering commitment to positive change by delivering transformative projects that enrich communities and promote sustainability. Most importantly, we recognise that our success hinges on our people. That's why we're dedicating significant resources to fostering talent, and ensuring we have the best people to achieve our goals.

'Success in 2025 will be measured by our ability to execute, adapt, and make the right return with a meaningful impact.'
Neil Slater, Redevco

Listed real estate faces financing challenge

Patrick Couttenier
Care Property Invest

How would you describe the 2024 real estate year?

On a macroeconomic level, the start of the year was disrupted by the escalating Gaza conflict leading to a notable increase of long-term interest rates towards the summer, after a strong relaxation in H2 2023. During summer, interest rates came down again. Stock price movements were consequently marked by volatility as a result of these elements.

Concerns over potential inflationary pressure after president Trump's election led to increasing long-term interest rates towards year-end, resulting in a sell-off of all real estate stocks, including REITs, irrespective of their specific risk profiles or (anti-)cyclical nature.

The macroeconomic conditions resulted in lower appetite/activity from listed real estate investors in our healthcare market segment, resulting in increased yields. Private real estate investors were less impacted by events.

ESG has become the 'new normal'. This is starting to be reflected in asset prices where the spread applicable to older assets – less energy efficient and future proof – has increased. At the same time, necessary investments in existing buildings to make them futureproof have become a challenge for owners and operators if they are to avoid jeopardising the profitability of both.

What are the main challenges facing the sector in general and your company in particular in 2025?

The main challenge for the sector in general (and specifically for listed real estate investors) is to be able to finance growth opportunities at an acceptable cost of capital. The capital cost should be in line with the risk profile of the different market segments to cater for the market's needs in a profitable and sustainable way. Access to liquidity through capital markets with acceptable conditions, as well as access to lending, is key. Therefore, confidence must be restored in the listed real estate sector and our market segment and risk premiums should be normalised.

Secondly, to work towards carbon neutrality in the future, there must be thorough assessments of existing assets and investment plans. The necessary investments must be made to improve the energy efficiency of the assets. And solutions must be found by owners alongside operators to finance these with mutual benefits.

What are the main elements of your strategy for the year ahead?

The needs in our healthcare market segment are still high in the coming years in all the countries where our company is active. Growth opportunities are thus very much visible, and market demand remains high for the foreseeable future. The short-term challenge is consequently to be able to grasp these opportunities in the current market. An optimal financing mix is crucial to allow us to acquire existing assets or develop new ones in all the regions we are active in that will offer the right returns for our shareholders.

At the same time, our clients – the operators – should be able to run their businesses in a profitable way. We believe in long-term relationships with operators to further grow together with them in the coming years. Moreover, we want to accompany them on their journey with our development capacity, real estate knowledge, legal support and technical support staff.

Alexandre Grellier
Drooms

The fundamentals haven't changed

How would you describe the 2024 real estate year?

2024 was a year full of challenges and uncertainties. We witnessed a mediocre second and third quarter with regard to development and construction activities. Refinancing was taking much longer and sometimes didn't go through at all. In addition, the political environment wasn't helpful.

ESG reporting requirements continued to add complexity. Therefore, the hunger for simplification has been growing. Digitalisation has been seen as a necessary lever and a positive way to achieve business goals in these demanding times.

What are the main challenges facing the sector in general and your company in particular in 2025?

The fundamentals have not changed significantly as we enter 2025. The lack of transparency as well as poor data often makes essential business decisions hard to take. Banks, together with all other market participants, need to work closer together to get better deals.

What are the main elements of your strategy for the year ahead?

Drooms is committed to helping on the journey to a better database by offering AI-enhanced services around asset documentation. With our digital data room platform as well as our collaboration and AI features, we connect people and companies in the industry, easing dealmaking and making it more efficient.

2025 will be a transition year to the new cycle

Michael Bütter
Union Investment

How would you describe the 2024 real estate year?
The real estate markets did not navigate easy waters in 2024. However, the tense situation was not triggered by properties themselves, or a decline in the importance of the asset class. The highest rise in interest rates for 60 years, combined with the consequences of the war against Ukraine and high inflation, halted the long-term upward trend on the property market. Since then, the transaction and rental markets have been moving in different directions: cautious, unsettled investors and falling prices contrast with stable user demand and rising rents in many segments.

Starting in July 2022, the ECB raised its key interest rate in 10 steps to 4.5%. In the US and the UK, the first key interest rate hikes took place even earlier. It was not until June 2024 that the key interest rate was lowered again to 4.25% and then in three further steps to the current 3.15%.

As a result of these cuts to interest rates, the property markets showed the first signs of recovery last year and are moving into a new cycle. In our opinion, the interest rate ceiling has been priced into the proclaimed initial yields. Sentiment among institutional investors improved slowly but steadily, while sentiment in the private client segment is likely to follow with a time lag.

What are the main challenges facing the sector in general and your company in particular in 2025?
Challenges this year include the US real estate market. The office property market in particular is currently not recovering as quickly as originally expected. The historically higher letting costs are therefore causing temporary pressure on the earnings side for expired rental agreements.

At the same time, rent increases are more difficult to implement, especially

Key takeaways for 2025

- **Interest rate cuts have brought improved sentiment**
- **European Central Bank to cut interest rates to 1.75%**
- **Restructuring continues as managers rebalance portfolios**

as the momentum slowed over the course of 2024 due to lower inflation, among other things. In addition, the requirements of prospective tenants for office space have increased. Real estate funds with exposure to the US cannot free themselves from this.

In Europe, we expect central bank interest rates to fall further to 1.75% in 2025. If there are no further geopolitical challenges, we therefore expect real estate markets to stabilise this year. The transaction market is likely to gain further momentum in 2025. The price correction for commercial property is largely over: the bottom has been reached. This is not yet the case everywhere, but undoubtedly it is for the core segment – for top properties in good locations.

The rental markets are still stable. Prime rents are continuing to rise in many sectors. Vacancy rates have also reached their maximum in most markets. The market turnaround is therefore within reach.

In addition, new construction activity has declined noticeably due to the significant rise in construction costs and interest rates on borrowed capital, meaning that we will see very little new space added to the markets in the coming years. Conversely, this means rising rents and better letting opportunities for existing space.

What are the main elements of your strategy for the year ahead?
2025 is a kind of transition year to the new cycle, in which the effects of the rise in interest rates will become visible and need to be worked through.

Real estate markets' performance is likely to be increasingly influenced by negative valuation results in the coming months, as property prices have fallen in many markets due to the turnaround in interest rates. In particular, the market values of properties that have been purchased at sharply higher prices in recent years are likely to come under a certain amount of valuation pressure. At the same time, this can be offset by fewer positive valuation adjustments than in previous years.

Our strategy in this year of restructuring focuses less on acquisitions and more on active liquidity management, investments in our high-quality property portfolio and the consistent realisation of potential for rent increases. We are also systematically continuing our digitalisation strategy and the expansion of our property platform.

'Sentiment among institutional investors improved slowly but steadily last year, while sentiment in the private client segment is likely to follow with a time lag.'
Michael Bütter, Union Investment

The main element of our strategy is unaltered

Nick Pink
Barings Real Estate

How would you describe the 2024 real estate year?
Although the Eurozone and UK economic recoveries disappointed last year, it was a pivotal year for Europe's property market. With inflation under control and central bank rate-cutting underway, 2024 saw the property market stabilise, and investor and lender sentiment begin to turn a corner. Prime yields peaked in the third quarter, marking the start of a new cycle in Europe.

From a relative value perspective, pricing looks attractive. The current yield spread between European prime all-property and the 10-year German bund has widened to over 300bps – a more than sufficient risk premium for best-in-class prime real estate assets.

However, liquidity remained more heavily subdued in 2024 than anticipated, with volumes up on 2023, but still well behind the long term average as volatility around interest rate expectations slowed activity.

Rising investor confidence was also mirrored by lenders, who displayed an increasing willingness to boost lending activity for new acquisitions and move away from refinancings that have been the mainstay over recent years.

Despite weak economic growth, top-end occupier market conditions remained resilient. Prime rents continued to grow above inflation and their historic trend, underpinned by chronic shortages of modern space.

What are the main challenges facing the sector in general and your company in particular in 2025?
Geopolitical tensions top the list, with immediate concerns around trade tariffs from the new Trump administration. The impact will depend on tariff severity, with Europe's manufacturing, export-orientated economies (e.g. Germany, Sweden and Netherlands) expected to be hit hardest.

Key takeaways for 2025

- **A new cycle for real estate has started in Europe**
- **Geopolitical tensions continue to be the biggest challenge**
- **Sectors and countries with lowest funding gaps will lead recovery**

Inflation remains a risk, particularly in the UK where some inflation stickiness is anticipated following potential inflationary impacts in the wake of the new government's first budget. This one-off could potentially slow the pace of UK interest rate cuts.

> **'Despite weak economic growth, top-end occupier market conditions remained resilient.'**
> Nick Pink, Barings

Very modest projections for growth in the Eurozone and UK economies raise concerns around future rental growth prospects. While we expect to see the overall pace of rental growth continue to moderate, chronic shortages of high-quality space should continue to sustain it at the top end.

Over the last few years, we have seen construction costs increase by 20%, while CRE values are down 20% and, as such, development viability is highly stretched. While the resultant lack of development is part of the ongoing story of prime rental growth, it is a short-term challenge to get the numbers to stack up for our value-add activities in many submarkets – at least until anticipated higher rents materialise in the mid-term. Our ability to identify those segments of the market that will attract occupier demand will be the key determinant of success.

What are the main elements of your strategy for the year ahead?
With UK and Eurozone total returns set to rise this year, we plan to ramp up investment activity through selective capital deployment.

We think that debt funding gaps will determine the pace of recovery back to positive returns across sectors. Sectors/countries with the lowest funding gaps (e.g. logistics and, by country, Spain and the UK) will lead the recovery.

Our pan-European platform, coupled with on-the-ground market experts, mean that we are well-positioned to take advantage of 'local' opportunities as and when they arise. This will be crucial in what we expect to be a highly competitive environment with reduced investment stock trading on the open market.

For value-add, there will certainly be opportunities to reposition assets in core sectors/prime locations, including in the unloved office sector where we see probably the widest market bifurcation. Given today's higher development costs, generating the required return will be a challenge.

Ultimately, the main element of our strategy remains unaltered. Whether investing core or value-add capital, we think like a long-term strategic investor. That means our focus continues to be on markets where strong structural support exists – growing demographics, innovative places, and where chronic shortages of modern space exist, as these will drive long-term outperformance (and our exit strategy) through the next real estate cycle.

Logistics fundamentals still exceptionally strong

Ben Bannatyne
Prologis Europe

Key takeaways for 2025

- **Occupancy rates for Prologis above 96% across Europe**
- **Nearshoring continues to shape the market**
- **Regulations and sustainability are key challenges for sector**

How would you describe the real estate landscape in 2024?
The logistics sector demonstrated impressive stability throughout 2024, despite broader market uncertainties. While we're no longer seeing the extraordinary momentum of the post-pandemic period, the fundamentals of our business remain exceptionally strong, with occupancy rates consistently above 96% across our European portfolio.

Our Northern European operations have been particularly robust, and we're encouraged by positive signals emerging from the UK market. The most fascinating development has been the diversification of our tenant base, with significant uptake from life sciences companies, particularly in the UK, and a surge in data centre requirements driven by the adoption of artificial intelligence technology.

What's particularly interesting is how demand for logistics assets is being reshaped by the transformation of supply chains. Companies are actively pursuing 'China plus one' strategies, with markets like Poland emerging as key beneficiaries of this shift, leading to increased interest in strategic European locations that can serve as alternatives to traditional Chinese manufacturing bases.

What are the main challenges facing the sector in general and your company in particular in 2025?
Looking ahead to 2025, our industry faces two primary challenges. The first is adapting to a more rigorous regulatory environment that has effectively doubled the duration of property development processes since the pandemic. This new reality requires deeper engagement with local communities and authorities from the earliest stages of development.

The second major challenge is delivering on ambitious environmental commitments while maintaining operational efficiency. We're finding that these two challenges often intersect, particularly as we roll out our solar programme and expand EV infrastructure across different European jurisdictions, each with its own regulatory framework.

Prologis acquired this asset at Heddesheim, near Mannheim, as part of a 380,000 sq m, seven-property portfolio sold by Union Investment in January 2025

The rapid evolution of technology, particularly in AI and automation, is also creating new demands on our facilities. Meeting these advanced specifications while maintaining our sustainability standards requires careful balance and strategic foresight.

What are the main elements of your strategy for the year ahead?
Our approach for the coming year rests on three fundamental strategies. First, we're focusing on portfolio optimisation, particularly in markets where we see emerging opportunities in the life sciences and technology sectors. Our tenant retention rates, which exceed market averages, validate this selective growth strategy.

Second, we're intensifying our environmental initiatives, but with a practical, results-driven approach. This includes expanding our solar programme rollout, implementing comprehensive LED lighting solutions across our portfolio, and developing advanced charging facilities that are evolving from basic workplace charging to sophisticated fleet solutions for delivery vehicles.

Finally, we're maintaining a highly selective approach to new developments, focusing exclusively on prime locations where we see long-term demand drivers. While the letting periods have lengthened for speculative developments, we're already seeing strong interest in our developments across key markets like the UK, Spain and Sweden. This measured approach to growth, combined with our environmental and technological initiatives, positions us well for the opportunities we see emerging in 2025.

> **'We're maintaining a highly selective approach to new developments, focusing exclusively on prime locations where we see long-term demand drivers.'**
> Ben Bannatyne, Prologis Europe

More Insight

Time running out to shop for logistics assets

H1 2025 could be "the last opportunity to shop around" and buy logistics assets before the market picks up, according to Sam Quellyn-Roberts, global occupier services director for EMEA logistics markets at Savills.

As we move into 2025, the market fundamentals in Europe's industrial & logistics market paint a mixed picture. "On the one hand, leasing activity has remained muted, with processes taking longer than anticipated," he said. "On the other hand, Q3 2024 saw average vacancy rates across Europe decline for the first time in two years. Up until now, weaker demand and higher supply have taken much of the fire out of rental growth in Europe."

This could be about to change as sentiment improves across the continent. If the peak for vacancy rates has been reached, as Savills believes, "the opening half of 2025 could be the last opportunity for occupiers to shop around before the market finally thaws", Quellyn-Roberts said.

Savills expects four key trends to drive the occupier market this year. The first is improving economic conditions. "More positive sentiment is something that was observed throughout 2024," Quellyn-Roberts said. "Savills and Tritax's 2024 European Logistics Census showed that more than half of occupiers (53%) believed that business conditions were more favourable than 12 months ago, compared to just 41% in 2023."

Also, requirements that were put on hold during the recent period of economic uncertainty will now become a greater priority for businesses as they look to secure the best-possible space to suit their needs (see chart).

The second trend is power. Investment in technology is likely to become more viable in 2025 as borrowing costs reduce, while further advances in digitalisation and AI promise efficiency and cost reductions. "However, occupiers are increasingly aware of the need to ensure they have adequate power supplies, whether through the grid or onsite generation to allow for these upgrades," Quellyn-Roberts said.

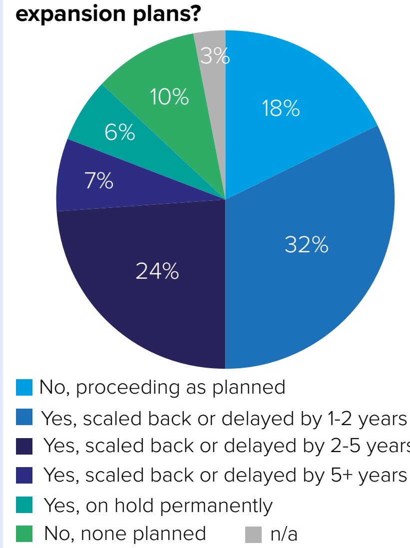
The third trend that will remain top of the agenda is ESG. "With the spectre of the net-zero transition looming ever closer for occupiers, it is going to continue to be a significant factor when it comes to decision-making," he said.

The fourth trend is location. For example, in Spain, occupiers are increasingly choosing well-located stock in proximity to highways and populated areas to ensure an adequate labour supply and efficient logistics.

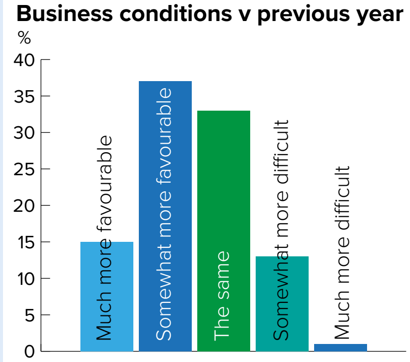
Poland is poised for significant growth in 2025, driven by its strategic location and a comparatively robust economic environment. Positioned at the crossroads of Western Europe's developed markets and Eastern Europe's emerging economies, Poland offers a compelling investment opportunity.

Quellyn-Roberts concluded: "Despite recent subdued leasing activity, the decline in vacancy rates and stabilisation of rental growth suggests a potential market revival. Economic improvements and technological advancements, such as warehouse automation and AI, are anticipated to boost occupier activity. What's more, the focus on ESG regulations and the demand for modern, efficient warehousing will continue to influence market dynamics. We should expect to see greater traction in 2025 as the recovery accelerates."

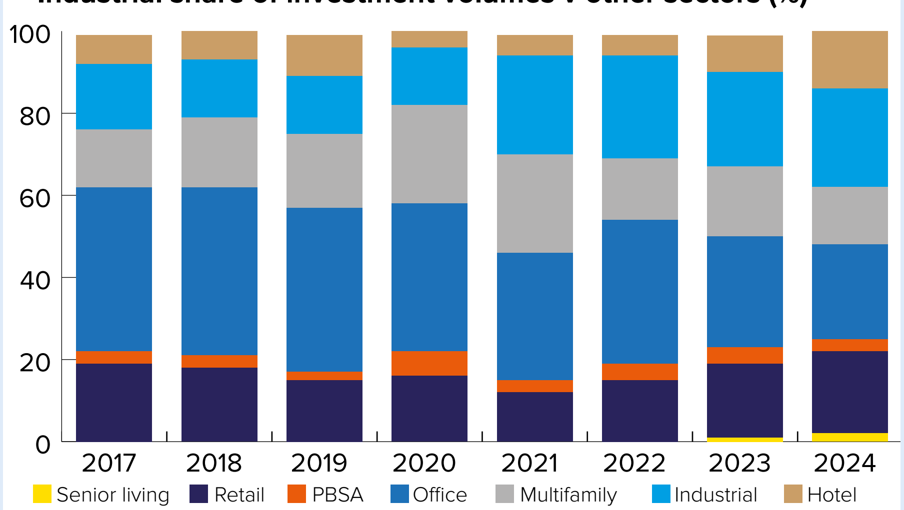
Has the current macro-environment impacted occupier business expansion plans?



Business conditions v previous year



Industrial share of investment volumes v other sectors (%)



Source: Savills/Tritax 2024 European Logistics Census

Continuing to expand our talent pool is essential

Michael Hughes
Verdion

How would you describe the 2024 real estate year?

For European logistics, 2024 has clearly been more challenging against a backdrop of continuing economic uncertainty. Capital raising has been demanding, but we have been pleased to see appetite for our strategy, evidenced by two major commitments at the end of the year, taking closed capital for our VELF 2 fund to over €300 million. That there is significant confidence from investors globally despite the current climate is very positive.

Occupier demand continues to underpin everything. This has softened compared with 2023. However, in the three months following the summer break, there was a distinct improvement in market sentiment, characterised by an uptick in occupational requirements fostering renewed optimism across the market. We go into 2025 confident about the scale and scope of the opportunities ahead.

What are the main challenges facing the sector in general and your company in particular in 2025?

The fundamentals remain intact – e-commerce growth is returning to pre-covid levels, and nearshoring and reshoring continue to drive activity.

Global political and economic uncertainty will continue to provide the greatest challenges. Changes in political administrations across the world and the impact of new economic approaches will need close attention. In Germany, in particular, a more pro-business government could usher in a new sense of optimism in a market that has long-term potential, despite current issues.

This is an environment we thrive in. Deep sector expertise, a discerning eye and longstanding experience count more than ever. Fewer generalists and fewer new entrants during these tough times are freeing up the market for specialists.

Key takeaways for 2025

- **Occupier demand strengthened towards the end of 2024**
- **Political administration changes demand attention**
- **Expanding and strengthening talent pool is essential for 2025**

Given rebased yields and land values, stable construction costs, and construction work in progress now falling for 10 consecutive quarters, the environment is supportive of refurbishment and redevelopment of high-quality products in the right locations.

The challenge for us is making sure we continue to have the depth and breadth of team to continue capitalising on this growing number of opportunities and to execute them effectively. Continuing to expand our talent pool is essential to strengthening our capabilities for the year ahead, including investment, development and asset management capabilities focused on our target geographies.

What are the main elements of your strategy for the year ahead?

Urban logistics will remain the cornerstone of our approach. Our appetite for strategic parks and build-to-suit will also continue, of course. For example, in Verdion Javelin Park Niederrhein, west of Düsseldorf, now zoned, we have a unique opportunity for a very complex build-to-suit scheme.

But we remain predominantly focused on, and see best opportunities in, single-asset acquisitions where we expect to continue to source attractively-priced opportunities in undersupplied urban and near-urban markets in Germany, Sweden, Denmark, the Netherlands and UK with reliable underlying occupational demand. This includes income-producing assets with embedded redevelopment potential, as well as prelet and build-to-suit schemes.

We will continue to leverage our in-house technical and construction teams that give us the edge when it comes to evaluating and executing this investment programme. Together with our people on the ground in each market, they see potential where others cannot.

Our guiding principle continues to be creating and adding tangible value for our investor clients and key occupier relationships. This is more important than ever with an accelerating wave of obsolescence in older logistics stock and flight to quality from occupiers and investors alike, seeking the best and most efficient space with strong ESG credentials. So we will be proactively sourcing and effectively transforming sites and assets that will create value in this evolving market landscape.

This means having an appetite for off-market acquisitions alongside more standard approaches and more engagement with counterparts on the sell side and local municipalities. We have significant capital to deploy and move quickly when the opportunity is right.

‘This is an environment we thrive in. Deep sector expertise, a discerning eye and longstanding experience count more than ever.’
Michael Hughes, Verdion

Adding value through refurbishment of assets

Crispin Gandy
Argo
Real Estate

How would you describe the 2024 real estate year?

The real estate market in 2024 was defined by uncertainty, but also early opportunity, shaped by geopolitical events, macroeconomic pressures and evolving investor sentiment. Inflationary pressures peaked and indicators suggest we reached the bottom of the cycle, but high interest rates continued to weigh on transaction volumes, slowing market recovery.

However, despite this cautious backdrop, occupational tailwinds were favourable for certain sectors, including urban logistics, which provided attractive investment opportunities.

The continued growth of e-commerce and, in turn, occupier demand for high-quality last-mile delivery infrastructure, coupled with a restricted supply pipeline, produced ideal conditions for long-term rental growth. Constraints on new development limited the ability to bring new supply to the market.

While geopolitical factors and economic headwinds persisted, signs of market stabilisation began to emerge as interest rates peaked. Investors started to return selectively, particularly with thematic strategies aligned with structural tailwinds, such as urban logistics and brown-to-green repositioning of assets.

Value-add investing gained traction and more investors focused on refurbishing outdated urban logistics assets to meet modern occupier demands and stricter sustainability requirements.

What are the main challenges facing the sector in general and your company in particular in 2025?

A volatile macroeconomic backdrop will be a challenge in the first half. Elevated long-dated gilt yields imply a higher risk-free rate and increased returns required from real estate and, in a world driven by IRRs, also makes predicting exit yields difficult.

Key takeaways for 2025

- **Volatile macroeconomic backdrop will mark first half**
- **Land-use competition is biggest challenge for logistics sector**
- **Energy efficiency legislation brings threat of stranded assets**

Higher-for-longer interest rates will continue to impact leverage, with higher financing costs and additional equity requirements ultimately hindering pricing.

For urban logistics, a sector we specialise in, one of the biggest challenges is land use competition, including for residential development, especially in urban areas where the need for homes is greatest.

‘Partnerships with institutional investors will be key to capitalising on opportunities.’
Crispin Gandy, Argo Real Estate

Ironically, more homes lead to the need for supporting infrastructure including urban logistics, but this is likely to be underprovided in the short term.

Upgrading assets to meet new upcoming energy efficiency legislation is another challenge. Older assets not upgraded are at risk of becoming increasingly stranded, with reduced occupier demand and investment liquidity. However, the capital-intensive nature and complexity of repositioning older stock means many landlords lack the financial resources, time, or expertise to embark on upgrade programmes, leaving space for investors with the capability to transform assets into Grade A sustainable facilities.

We are excited by the opportunities this backdrop is creating, and will leverage our deep market knowledge and asset management expertise to take advantage. However, stock selection and a hands-on asset management approach will be essential in extracting value. Partnerships with institutional investors that recognise the positive long-term fundamentals and favourable returns available will be key to capitalising on opportunities.

What are the main elements of your strategy for the year ahead?

Our strategy centres on unlocking income and capital growth in urban logistics through brown-to-green value-add repositioning and asset management. We aim to identify well-located undermanaged urban logistics properties with strong underlying fundamentals that can be repositioned into best-in-class assets.

By focusing on refurbishments rather than ground-up development, we aim to capture rental levels close to those for new-build developments, but without taking on the higher planning and construction risks. Leveraging our expertise, we will refurbish assets on a wholesale basis, securing rental uplifts often through lease variations. Stock selection will be critical, however, as not all assets offer the same potential for repositioning, rental growth and long-term value creation.

Institutional capital continues to target sectors supported by strong structural tailwinds, and we are well-positioned to capitalise on this by deploying capital as an operating partner into urban logistics assets where strong risk-adjusted returns can be achieved.

CEE logistics benefits as nearshoring continues

Remon Vos
CTP

Key takeaways for 2025

- **Robust occupier demand for logistics throughout CEE**
- **Nearshoring, particularly from Asian companies, to grow**
- **Real estate transaction markets to become increasingly active**

How would you describe the 2024 real estate year?

Across 2024 we saw robust occupier demand for industrial and logistics space at our business parks across Central and Eastern Europe (CEE). Behind these high levels of demand are continued structural drivers, including the professionalisation of supply chains by 3PLs, the growth of e-commerce, and multinationals nearshoring to Europe with the CEE region offering the best-cost location on the continent for manufacturing.

More than 10% of our portfolio is now leased to Asian clients producing in Europe for Europe, making up around 20% of our overall leasing activity in 2024. This robust occupier demand, combined with vacancies below the long-term average, allowed us to sign 4% more leases at 3% higher rents compared with the previous year in the first nine months of 2024. These consistent leasing levels allowed us to continue with our strategy of expanding our GLA by 10% each year, reflected in our delivery of over one million sq m of new GLA across several new and expanded CTParks in 2024.

Regarding investment in commercial real estate, 2024 was a year of steady recovery with both activity and sentiment picking up through the year. Yields peaking in the first half of the year and the consistent reductions in interest rates led to more transactions, and this is why we recently raised €300 million of equity to take advantage of the attractive opportunities that this recovery in investment markets will present.

What are the main challenges facing the sector in general and your company in particular in 2025?

We expect challenges in 2025 to revolve around geopolitics. These include tariffs with the incoming US Trump administration potentially introducing protectionist economic policies, the looming EU Carbon Border Adjustment Mechanism (CBAM) – essentially a tax on carbon-intensive product imports – coming into force in 2026, and EU tariffs on Chinese EVs beginning to bite.

Although these policies could impact domestic European economies and demand for real estate generally, they will likely drive the already compelling need for nearshoring, particularly from Asian manufacturers in the fast-growing high-tech sector that are the target of new policies encouraging this sector to manufacture in Europe.

This combination of the need to de-risk supply chains, the geopolitical environment and EU regulatory changes has pushed multinationals to nearshore their production to be closer to the markets where their customers are located. We expect the trend to accelerate in 2025. In fact, we believe we are only seeing the tip of the iceberg in terms of demand from nearshoring multinationals. Although countries such as Germany are facing headwinds they need to overcome, they remain dynamic economies with excellent long-term prospects.

What are the main elements of your strategy for the year ahead?

In 2025 we will continue to implement and accelerate the same strategy since I founded CTP in 1998: developing, owning and operating state-of-the-art business parks in strategic locations that support long-term growth and value creation. We continue to sign almost two-thirds of our new leases with existing clients, so our focus remains on growing with these clients across our park network. As most of these clients are large multinationals, this approach provides for future growth at both their current park and new locations across multiple countries.

We expect real estate transaction markets to become increasingly active, including in the logistics space – driven by long-term interest rates trending downwards, which is behind our recent €300 million equity raise. While our next phase of growth is already locked in, with 1.9 million sq m of GLA under construction and a landbank of over 27 million sq m, this additional equity will provide us with the financial flexibility and firepower to take advantage of attractive opportunities as they arise.

We also continue to see value in redeveloping brownfield sites and refurbishing older industrial properties to standards that meet both our clients' needs and the latest ESG requirements. This has been a key part of our strategy in markets like Germany in recent years and will continue to be the case in 2025, as the direction of travel increasingly gravitates towards occupiers demanding more sustainable buildings.

'Although countries such as Germany are facing headwinds, they remain dynamic economies with excellent long-term prospects.'
Remon Vos, CTP

Opportunities as markets become more high-tech

Robert Dobrzycki
Panattoni Europe, UK, Middle East and India

How would you describe the 2024 real estate year?
The last year marked a period of sustained growth and significant achievements for Panattoni and the logistics real estate market. By the end of the third quarter, Panattoni had delivered 24 million sq m across Europe.

The overall market experienced stable growth rates, which will continue into 2025, supported by ongoing e-commerce expansion and the reindustrialisation of Europe. Furthermore, anticipated reductions in inflation and interest rates will enhance capital availability, driving a stronger investment dynamic. These factors provide a solid foundation for the commercial real estate sector, with Germany and Central Europe at the forefront as a leading logistics hub.

What are the main challenges facing the sector in general and your company in particular in 2025?
It will undoubtedly be geopolitical instability. The ongoing conflict in Ukraine continues to shape economic and political dynamics across Europe. Countries are rethinking strategies, particularly in energy and logistics, amid broader tensions involving Russia, China, Iran, and North Korea. Additionally, Donald Trump's return to the US presidency may significantly alter global trade policies, which would weaken logistics markets.

From an economic perspective, the anticipated lowering of interest rates and improved capital availability in 2025 could reignite investor interest in infrastructure and industrial projects. This influx of funds, including those from the EU's Recovery and Resilience Facility, presents a unique opportunity to drive growth in sectors such as advanced manufacturing and logistics.

Germany is a strategic market. While it can be slower and more bureaucratic, it is a large, diverse, and wealthy economy with exceptional infrastructure, major ports, and significant consumption. Its central location in Europe makes it a prime hub for business.

Key takeaways for 2025

- **Stable growth rates in logistics last year expected to continue**
- **Germany's location makes it a prime hub for business**
- **Cutting-edge facilities needed to meet e-commerce growth**

'Germany is a strategic market. As Poland's main business partner and largest client, a strong German economy is crucial for both Poland and Panattoni.'
Robert Dobrzycki, Panattoni Europe, UK, Middle East and India

Germany is currently undergoing a transitional period, facing challenges like the Chinese economic slowdown, energy sourcing shifts, and rising energy costs. These adjustments, though challenging, are necessary for long-term growth. As Poland's main business partner and largest client, a strong German economy is crucial for both Poland and Panattoni.

Poland's proximity and efficiency make it an invaluable supplier to Germany, and the two countries' collaboration is vital for mutual success. Strengthening this partnership will benefit both economies and ensure a prosperous future for Europe.

What are the main elements of your strategy for the year ahead?
Panattoni plans to continue its expansion across key markets in Europe, while also intensifying efforts in sectors such as advanced manufacturing and data centres to address the growing demands of a digitising economy. At the same time, the rapid evolution of e-commerce continues to reshape logistics and industrial real estate, necessitating modern distribution centres and warehouses optimised for this sector.

These dynamics, coupled with the ongoing nearshoring trend, are expected to create significant opportunities in Central Europe, with Poland leading the way. Our focus will also extend to new markets, including the Middle East and Asia, as part of our strategy to establish strong operational platforms in critical locations. Expanding into these markets would enhance our offerings to clients and investors while scaling our business.

Our goal is to increase market share and support our clients in achieving their objectives by delivering innovative and sustainable solutions. As the demand for tailored industrial spaces grows, particularly in sectors like electronics, automotive, and e-commerce, Panattoni aims to stay ahead of market needs by offering cutting-edge facilities that align with client requirements.

With a clear focus on growth and adaptation to changing market conditions, we are confident that 2025 will be a year of opportunities and achievements for our company and the broader industrial real estate sector.

Tenants have developed an awareness of ESG

Jan Philipp Daun
Garbe Industrial Real Estate

How would you describe the 2024 real estate year?
In the wake of the boom years of 2021 and 2022, and after the glum mood triggered by the reversal of interest rates in 2023, the Europe-wide real estate investment market normalised again in 2024.

Prices in the logistics real estate sector have bottomed out and bounced back, while transaction volumes have perked up slightly.

At the same time, property developer margins, meaning the difference between the prime cost factor and the exit factor, have returned to a normalised level after the boom years. The good news for logistics property developers is therefore that the market still offers a profit margin.

What are the main challenges facing the sector in general and your company in particular in 2025?
Our main job will be to find the right kind of capital for our growth strategy, while ensuring that our properties are let on good covenants.

Key takeaways for 2025

- **Real estate investment market normalised in 2024**
- **Developer margins have normalised after boom years**
- **Garbe will continue with its expansion strategy in 2025**

Institutional investors have been particularly reticent over the past two years, even though we are seeing the desire to invest in logistics real estate growing. The occupier market was challenging in 2024, but our team coped splendidly, and we had a large number of new lease signings.

What are the main elements of your strategy for the year ahead?
In recent years, we have done our homework and aligned ourselves consistently with market needs. In the logistics sector, we cover the entire value chain. Furthermore, Garbe is now connected locally in Europe, operating in 12 countries with 17 offices, enabling our teams to identify and seize investment opportunities at an early stage. The continued strong demand for space across Europe allows us to grow further through targeted investments in new logistics properties and existing assets, which we develop sustainably.

We plan to continue expanding internationally within Europe. Last year's European expansion strategy was characterised by partnerships with international investment managers, which we aim to further strengthen in 2025.

An interesting point to note is that tenants have developed an awareness for the ESG aspects of logistics real estate. This is reflected in the growing demand for sustainable and energy-efficient buildings that we are seeing on the occupier side.

Both in property developments and in upgrades and refurbishments, we are therefore concentrating on projects that lend themselves to appropriate sustainability-enhancing measures and thereby generate added value, both for investors and for tenants.

Structural challenges are still keeping us busy

Pamela Hoerr
pbb Deutsche Pfandbriefbank

How would you describe the 2024 real estate year?
2024 was challenging for real estate markets with opportunities for active investors. We are seeing the first signs that the market is bottoming out.

Transactions for asset classes that faced challenges, such as offices, increased slightly last year, albeit at a very low level.

What are the main challenges facing the sector in general and your company in particular in 2025?
The challenging situation in the real estate sector will remain with us well into 2025. Structural challenges are still keeping us busy. However, the markets are potentially offering opportunities for those investing in the current cyclical low. At the same time, the geopolitical situation adds uncertainties to the markets that are hard to predict.

What are the main elements of your strategy for the year ahead?
With our new Strategy 2027, which aims to diversify, on the one hand, asset classes with regards to our on-balance-sheet financing, and on the other hand income streams with real estate investment solutions, we feel well equipped to achieve our long-term goals.

Quality and location are the decisive factors

Henning Koch
Commerz Real

How would you describe the 2024 real estate year?
2024 was the third consecutive year of crisis for the property markets. After interest rates climbed to a base rate of 4.5% by September 2023, many property companies, project developers and investment managers came under considerable pressure. Property valuations had to be corrected downwards, in some cases significantly. There were hardly any property transactions.

I generally like to use the image of a major flood wave that has flushed through the property market in recent years. Some have been swept away directly by the wave, while others are still holding on.

Things changed significantly in 2024. The ECB lowered the key interest rate again, thus restoring confidence and perspective to the property markets. Significantly, more transactions have been carried out in all real estate segments again, including some deals valued at well above €100 million. Several property owners have experienced so much pressure on their liquidity that they had to sell at prices demanded by the buyers.

The wave has now reached its peak. It was evident to us that we had to take advantage of this situation. We received a great deal of attention in the market at the beginning of 2024 with the acquisition of a trophy property on Maximilianstrasse in Munich for a wealth management client.

All in all, we are satisfied with the development of our business, given the difficult market environment. With regard to our flagship product, the Hausinvest fund, there have already been several cycles in the five-plus decades since its launch when it faced an uncertain, volatile environment. It is essential to be invested in top locations that are little affected by a declining market, or not at all. The high quality of the portfolio has helped us to get through the crisis in a stable position.

Key takeaways for 2025

- **Lower interest rates last year restored confidence in markets**
- **Investing is still challenging but attractive opportunities exist**
- **German legislation could boost investments in renewables**

Even in difficult times, we were able to sell properties of almost all usage types in Japan, Spain, the UK and Germany. The significant rental growth in the top locations and top properties is helping to cushion the devaluation pressure in the portfolio and create value.

> **‘It is essential to be invested in top locations that are little affected by a declining market, or not at all.’**
> Henning Koch, Commerz Real

Our second retail fund, Klimavest, is performing very well, specifically due to the fact that it offers access to a growing renewables asset class. The fund is broadly diversified and promises an attractive return.

What are the main challenges facing the sector in general and your company in particular in 2025?
The global market situation remains challenging. However, it also offers attractive opportunities that make investing in commercial property lucrative right now. A further reduction in interest rates could lead to a fall in the cost of loans such as mortgages. As a result, property would once again appear more attractive as an investment. Nevertheless, we only see the effects of these measures downstream – i.e. our optimism is still rather cautious.

We see opportunities across all segments. As always, quality and location are the decisive factors. Premium properties in top locations are still very much in demand. Peripheral locations tend to have a hard time, especially during difficult economic periods.

What are the main elements of your strategy for the year ahead?
In addition to pursuing our growth in all business areas, we will continue to capitalise on the opportunities arising from the combination of real estate and renewable energy. In Germany, legislators are in the process of setting the necessary foundations, though the process is stalling.

The current draft of the Future Financing Act II stipulates for the first time that open-ended property funds may invest up to 15% of their volume in plants for the generation, transport or storage of electricity or heat from renewable energy. The funds will not only be allowed to acquire these plants, but to operate them themselves.

If the law is approved in its current form by the new legislature after the German parliamentary elections, Commerz Real will utilise its many years of expertise in renewables to exploit the new opportunities as quickly as possible. In the medium to long term, for example, the aim is to supply the properties in our portfolio with their own electricity. This can then be offered to tenants on favourable terms, which in turn could increase the attractiveness of the properties for potential users and have a positive effect on the valuation. And this would ultimately benefit investors.

Italy has latent potential for asset repositioning

Manfredi Catella
Coima

How would you describe the 2024 real estate year?
2024 was very much a year of transition. After a slow start, in the second half of the year we saw an upturn in transactions. Institutional investors' portfolios have rebalanced. Investors had slowed or paused investment over the past few years, but with transactions picking up, we expect a revival in 2025 and beyond.

In the office sector, we saw some consolidation of post-pandemic trends. The key feature is increasing polarisation, with demand for quality and sustainable workspaces higher than before the pandemic, while there are high levels of vacancy in obsolete stock in secondary locations. This is pushing landlords to consider repurposing buildings for alternative uses.

We continue to see a premium placed on sustainable real estate, amid tightening ESG regulations at a European level. The material challenges the sector is facing is transforming old brown buildings into modern, future-proofed, sustainable spaces. This creates opportunities for experienced asset managers that can execute brown-to-green strategies.

At Coima, we have used the period of challenging market conditions – with rising interest rates, increasing construction costs, and decreasing investor liquidity – to actively manage portfolios and prepare for the upturn by investing in our organisation. We have expanded the experience and expertise of our team, hiring key people across various sectors: from living to capital markets, logistics, infrastructure and credit.

Key takeaways for 2025

- **Increased polarisation between quality and obsolete offices**
- **Italy faces housing shortages for young and old alike**
- **Global megatrends will influence city development**

What are the main challenges facing the sector in general and your company in particular in 2025?
2025 will be an interesting year as the Italian real estate market has latent potential. Compared with other European countries, Italy has a larger stock of obsolete real estate that offers opportunities for development and repositioning. For years, little has been invested in modern real estate in Italy. Today, with demand increasingly oriented towards quality and sustainable assets, supply is unable to meet the needs of the market across a range of asset classes.

For example, demographic pressures mean there is a significant shortage of housing, particularly for younger

Hines: 2025 a 'pivotal moment' for global real estate markets

More Insight

This year has the potential to be a pivotal turning point for global real estate markets, according to Hines' 2025 Global Investment Outlook. The market will transition into a new cycle of growth and recovery, with many potential opportunities unfolding in private markets, according to the report.

"We remain in the midst of a massive transition in the investment landscape," said David Steinbach, global chief investment officer at Hines. "The dynamics of the previous cycle – where unusually low interest rates propelled growth and easy leverage – have faded and are being replaced by a higher-for-longer interest rate environment, where investors will need to focus on alpha generation."

The report, titled *A new dawn: seizing real estate's moment of opportunity*, highlights some of asset classes investors should be prioritising. For example, the living sector offers "significant opportunities as households increasingly favour renting over buying in developed markets", and across the world there are acute housing shortages and shifting demographics.

The retail sector is set for continued growth after years of transformation, underpinned by strong consumer sentiment and robust wage growth, especially in the US. And the industrial & logistics sector is poised for "renewed momentum as supply and demand stabilise" and supply chain reconfiguration continues.

"We will likely look back on 2025 as a pivotal moment of recovery in many areas of the commercial real estate sector," said Steinbach. "Now is the time for investors to put capital to work and reposition their portfolios."

According to Hines' analysis, as of the third quarter of 2024, just over 66% of global markets were in some phase of the 'buy' cycle, the highest level since 2016. Europe stands out with 75% of its markets in the early buy, buy, or strong buy phases, the highest globally.

generations as well as for senior living. In Milan alone, an additional 30,000 to 40,000 dwellings will be required in the next five years to meet demand. The continued appeal of tax incentives for HNWIs and international professionals has driven up prices and increased interest in the high-end residential market.

In addition, student accommodation continues to present investment opportunities. Italy has around two million university students, but purpose-built student accommodation only provides around 4% of the beds needed against a European average almost four times higher.

Coima is focused on addressing this shortage with the development of the 2026 Winter Olympics Athlete's Village, part of the wider Porta Romana development, which will be converted into a 1,700-bed student accommodation scheme after the Games.

We see further opportunities in the student sector in the coming years – as well as in developing more affordable housing as part of our large-scale regeneration schemes at Porta Romana and at Milano Sesto, one of Europe's largest brownfield regeneration sites.

What are the main elements of your strategy for the year ahead?
With Coima's focus on largescale sustainable urban regeneration, we must think past the vagaries of the market cycle and look to the key megatrends that are reshaping cities, such as demographic pressures, the climate emergency, technological change and ever-increasing urbanisation.

To build the sustainable and resilient cities of the future, we must rise to the challenges posed by these megatrends. It was with that in mind that we hosted a symposium on the future of cities late last year, bringing together 130 students from 13 Italian universities who were invited to rethink urban models.

The students' proposals will soon be published as a follow-up to the book *Inspiring Cities*, which Coima has curated to celebrate our 50th anniversary. It was fascinating to see how the proposals coalesced around different ideas of how to make cities more equitable, sustainable and liveable – this is our mission as well.

At the building level, this means a focus on creative reuse. Through our dedicated brown-to-green real estate strategies we are taking old and obsolete buildings in cities and repurposing them through sustainable refurbishment into new uses.

Through our largescale urban regeneration projects, we are focused on developing genuinely mixed-use new developments with a range of housing types, including affordable housing and student housing. We want to shape more liveable, healthy and resilient communities, where everything people need in their daily lives is near at hand, as well as parks and green urban spaces.

'We must think past the vagaries of the market cycle and look to the key megatrends that are reshaping cities.'
Manfredi Catella, Coima

Fundamentals in the industrial markets continue to be strong, while prime office rents are rising in key cities such as London, Paris and Amsterdam, driven by limited new supply and high demand for energy-efficient spaces. Retail investments in Europe remain attractive, particularly in cities with strong local spending and high tourism. The region's retail markets, less saturated than in the US, are recovering more rapidly.

In North America, opportunities abound in industrial assets and the living sector, due to the increasing demand for single-family rentals. Asia remains diverse, with opportunities concentrated in Japan, South Korea, and Australia. Japan's office market appears to have reached a bottom and is beginning to show signs of an upswing, while its residential sector continues to experience rent growth driven by improved fundamentals. In South Korea, Seoul stands out as one of the healthiest office markets globally, with low single-digit vacancy rates and strong rental growth.

"As we look ahead to 2025, our data finds that the global real estate market presents a promising, but complex, landscape," said Joshua Scoville, head of global research at Hines. "It's our conviction that the year ahead will bring stability, clarity, and potential opportunity for global real estate investors as the dust settles and the asset class turns a corner into recovery."

Sascha Klaus
Berlin Hyp

Conservative risk profile served us well in 2024

How would you describe the 2024 real estate year?
As expected, 2024 was a year of major challenges for the real estate sector. Negative effects led to a market adjustment. Thanks to our conservative risk profile though, the bank came through the year very well.

What are the main challenges facing the sector in general and your company in particular in 2025?
The environment continues to be characterised by major geopolitical uncertainties, which, in addition to other country-specific aspects, are significantly weakening the economy. Stability and planning security are needed for the real estate market to recover and gain strength again.

A major challenge for Berlin Hyp in 2025 will be to combine our strengths with LBBW. Together, we're about to create one of the largest commercial real estate financiers in Germany and Europe. In doing so, we will expand the strong Berlin Hyp brand and position ourselves for the future.

What are the main elements of your strategy for the year ahead?
A reliable partnership with our clients, a sustainability-driven portfolio management, a conservative risk profile, and adaptation to new asset and market trends. These principles made our bank resilient to challenges and changes in the past and will continue to do so in 2025.

Interest rate cuts could kickstart M&A activity

Jean-Pierre Hanin
Cofinimmo

How would you describe the 2024 real estate year?
In the sectors where Cofinimmo has the majority of its portfolio (76% healthcare real estate and 17% offices), 2024 was again a challenging year, instead of the 'transition year' initially predicted by many observers. We saw very little activity on the market, no large deals, continued pressure on valuations and on the stock price, as well as the first two timid interest rate decreases by the ECB, but not enough to boost the market.

That said, at the end of 2024, we managed to close divestments for more than €235 million, and were again one of the most active real estate players on the Belgian market.

So, from a balance sheet point of view, we deleveraged, and by doing that, we made ourselves ready to seize opportunities for the potential return of activity predicted by most observers.

What are the main challenges facing the sector in general and your company in particular in 2025?
On a global level, we'll have to see how resilient the European economy will prove, what the impact of Trump's return to office in the US will be, and how geopolitical tensions evolve.

On a real estate level, we observe that the tenants' financial health has generally improved. But liquidity in the market is also needed, which has not been the case during the last two years. Managing our balance sheet and keeping costs and the debt-to-assets ratio under control will remain priorities, while also looking for attractive opportunities.

Continuing to divest non-strategic assets will be key in this context, as well as continuing to play a pioneering role in sustainability, with Cofinimmo being a frontrunner in this area for more than 15 years.

What are the main elements of your strategy for the year ahead?
We are almost a pure player in healthcare real estate. Today, 76% of our portfolio is in this segment, and we hope market conditions will trigger a more favourable environment for us to start making acquisitions again. The market anticipates a series of rate cuts by the central banks, and even more specifically in Europe by the ECB. Let's hope this scenario will materialise, as it could kickstart M&A activity in the real estate sector.

Last but not least, thanks to our disciplined financial management, we have no refinancing hurdles in the coming years, so we're safe in this respect. Together with an LTV that is now under control, the route to cautious optimism lies ahead.

'We hope market conditions will trigger a more favourable environment for us to start making acquisitions again.'
Jean-Pierre Hanin, Cofinimmo

Our focus is on housing for young professionals

Mark Allnutt
Greystar

How would you describe the 2024 real estate year?
It was a year of price discovery. In 2023, deal flow fell two-thirds from the previous year's peak, before moving sideways until last summer. Clearly, there was a great deal of uncertainty around where rates would settle and what that meant for property yields. In the end, while there were a handful of special situations, the wave of distress that many had predicted never came. By March, sentiment was improving and deal flow started to pick up well in advance of the ECB's first rate cut in June.

We learned that healthy transaction markets are connected to healthy financial markets. Interest rates remained stable in Europe for most of 2024, which gave real estate investors the necessary confidence to trade. It remains to be seen what this coming year will hold, but if rates stay at around the levels we saw last year, we should expect another year of improved liquidity for institutional quality real estate.

What are the main challenges facing the sector in general and your company in particular in 2025?
The broader global macroeconomic environment remains a known unknown for us. While we will focus our efforts toward generating value on the ground at our properties, we expect that monetary and fiscal policy, along with global events, will continue to keep us on our toes as we conduct our business.

Residential development remains challenging across Europe, with viability squeezed by falling capital values and rising constructions costs. We are seeing instances of negative residual land values, which suggests that intervention will be needed to improve the situation. Policymakers are increasing housing targets, but additional support to encourage development remains constrained by a lack of fiscal headroom.

Key takeaways for 2025

- **Viability of residential schemes squeezed by rising costs**
- **Support to meet government housing targets is limited**
- **Greystar's capital reserves mean it can seize opportunities**

'We expect that monetary and fiscal policy, along with global events, will continue to keep us on our toes as we conduct our business.'
Mark Allnutt, Greystar

This presents a challenge that I believe will foster innovation in terms of more efficient design, lower-cost construction and partnerships with planners. Any policy change that lowers rental values or increases construction costs would be counterproductive, and we are committed to working with policymakers to meet the ambitious targets they have set.

What are the main elements of your strategy for the year ahead?
Our strategic growth initiatives in Europe are firmly rooted in addressing resident demand. We anticipate that an increasing part of our strategy in 2025 will be dedicated to supplying new rental accommodation to young professionals and middle-income earners. This demographic has been continually underserved, and we see opportunities to fill the gap with high-quality, attainable housing that remains economically viable for investors.

You can expect that we will be more active across the Continent in 2025, building on the recent launches of our Ltd. brand in the US and our Dutch Essential Housing Venture in the Netherlands.

Our substantial capital reserves also position us well to quickly seize attractive investment opportunities, whether through acquisitions or new developments.

We are on the lookout for well-located sites to develop high-quality, purpose-built accommodation from the ground up – especially in the UK where we will consider opportunities to extend our footprint outside of London and into UK regional cities.

At the same time, we remain focused on asset performance within our existing portfolio, constantly optimising properties and reviewing our portfolio, which in turn drives value for our investors.

Flexible living apartments in Alcobendas, Madrid, which Greystar acquired in January along with assets in Barcelona and Bilbao, adding nearly 2,000 beds to its Be Casa platform

CRE needs a compelling customer proposition

Paul Gibson
CBRE Investment Management

How would you describe the 2024 real estate year?
Market conditions were challenging for much of 2024, but sentiment was undoubtedly better at the end of the year than the beginning. In short, the tide started to turn. Valuations continued to fall in the first half of year, but most sectors and countries returned to modest growth in Q3 and Q4. Transaction volumes were lower than normal, but higher than 2023 and on an upward trend. Capital raising was still tough, but equity flows improved steadily quarter-on-quarter over the year.

There have been profound structural changes in the past few years, with occupier requirements and investor demand impacted by shifting consumer and working habits following the pandemic, heightened geopolitical instability, less favourable financing conditions and technology advancements.

Although the economic backdrop hasn't progressed as quickly as some might have hoped, we have confidence that markets will continue to improve over 2025 for investors who lean into these structural trends and manage their investments proactively.

Key takeaways for 2025

- **Improvement expected with proactive asset management**
- **Operation excellence will be a key investment differentiator**
- **Harnessing technology can drive better returns**

What are the main challenges facing the sector in general and your company in particular in 2025?
While conditions are improving, confidence is fragile, so continued volatility in interest rates and/or bond yields has the potential to undermine the emerging recovery. In this environment, investors need to remain disciplined. We continue to emphasise that successful real estate investing hinges on understanding occupier needs and delivering space that provides a compelling customer proposition.

As the bifurcation between best-in-class buildings and the rest increases, the ability to seamlessly integrate operational excellence with investment strategy will be the key differentiator in achieving sustained performance. This combination is complicated to achieve as it requires specialist skills and a depth of scale.

What are the main elements of your strategy for the year ahead?
Our number one priority is to deliver strong investment performance for our clients. During this period of the cycle, we expect returns to be driven by strong asset selection and management, rather than widespread yield compression. Our focus is therefore on leveraging our investor-operator model to identify compelling transaction opportunities and maximise value through all stages of the asset lifecycle.

We are putting a lot of attention into building enduring partnerships with developers, occupiers and municipalities so that we can deliver strong outcomes for all our stakeholders.

Additionally, we aim to be innovative in the way that we use technology. We are investing in digital transformation, using advanced analytics and AI to drive superior returns through actionable insights and more efficient operations.

Reshuffling of supply chains could drive demand

Balazs Lados
Realterm

How would you describe the 2024 real estate year?
Realterm is an $11bn global investment manager specialising in transportation-related logistics properties with high flow through (HFT) characteristics. We are a niche manager within real estate with a 70-plus global LP roster investing primarily through discretionary fund strategies.

2024 has been a very difficult fundraising environment, but it was a great fund vintage and buying opportunity for logistics strategies. Logistics was at the bottom of the market in Europe, providing attractive core-plus opportunities, although only value-add is liquid and new speculative developments were at a complete standstill. The banks were active, wanting logistics and living, but offices were the black sheep sector.

What are the main challenges facing the sector in general and your company in particular in 2025?
The main challenges are the uncertainties in the macro economy, especially due to geopolitics and volatility in the financial markets and in energy pricing. Deglobalisation is reshuffling supply chains, which might be a demand driver in Europe. Further rate cuts will help to bring back investor confidence.

US residential asset class has shown resilience

Gero Bergmann
BayernLB

How would you describe the 2024 real estate year?
2024 was a challenging year for the real estate sector. It was characterised by significantly reduced transaction volumes and a noticeable decline in market values across many asset classes. Several factors, including high financing costs, geopolitical uncertainties, and ongoing inflationary pressures, have caused investors to adopt a cautious approach.

However, amid these challenges, there are signs of stabilisation beginning to emerge in some areas of the market. For example, we are observing early indications of price floors being established, particularly in the residential asset class. This is encouraging and suggests that market participants are slowly regaining confidence.

The resilience of the residential market underlines its role as a cornerstone of stability, even in times of economic turbulence. Despite subdued overall activity, the gradual stabilisation of values in this segment serves as a reminder of the sector's fundamental importance. The path to recovery is likely to remain uneven, but 2024 has shown that the real estate market has the capacity to adjust to new realities.

What are the main challenges facing the sector in general and your company in particular in 2025?
The real estate sector faces a complex set of challenges in 2025. Geopolitical uncertainty continues to weigh heavily on investor sentiment, prompting caution and limiting activity. Additionally, the office asset class remains under pressure as questions persist about the long-term demand for office space. Factors such as remote work, flexible working models, and economic softening, especially in Germany, are driving this uncertainty.

Another significant challenge is the sustainable transformation of existing building stock. With ESG criteria becoming an increasingly important factor for investors and regulators alike, the industry must accelerate efforts to upgrade properties to meet stringent energy and sustainability requirements. This is not only a financial challenge but a strategic one, requiring close collaboration between stakeholders.

Key takeaways for 2025

- **Geopolitical uncertainty continues to impact sentiment**
- **In the banking sector, regulation is a critical concern**
- **Real estate has shown capacity to adjust to new realities**

'Despite challenging market conditions, we will continue to finance opportunities in the US residential sector.'
Gero Bergmann , BayernLB

For the banking sector, regulation continues to be a critical concern. European banks face a competitive disadvantage compared with less heavily regulated institutions, such as those in the US. Balancing these regulatory pressures while maintaining a strong market presence will remain a key focus for BayernLB in 2025.

What are the main elements of your strategy for the year ahead?
Our strategy for 2025 focuses on four main priorities. First, we aim to further strengthen our international business, with particular attention to key markets such as Italy, France and the Netherlands. These markets offer attractive opportunities and align with our long-term growth ambitions.

Second, despite challenging market conditions, we will continue to finance opportunities in the US residential sector. The residential asset class in the US has shown resilience and continues to be a key area where we see potential for stable, long-term returns. Our commitment to supporting clients in this region remains strong as we navigate the complexities of the current environment.

Third, we will expand our portfolio in other resilient asset classes, including hospitality and logistics. These sectors have demonstrated strong fundamentals and are expected to remain attractive to investors even in a volatile market.

Lastly, we are dedicated to supporting our clients through this difficult phase in the market cycle. As transaction volumes show tentative signs of recovery, albeit at a still modest level, our role as a reliable partner will be crucial. By offering tailored financing solutions and leveraging our expertise, we aim to help our clients navigate the complexities of the current market and position themselves for future success. This embodies our commitment to financing progress and driving sustainable growth together with our clients.

BayernLB was part of the bank consortium that refinanced the 183,000 sq m Coeur Défense in October 2024

We are very optimistic about a recovery in 2025

Jaume Sabater
Stoneweg

Key takeaways for 2025

- **Stronger competition to acquire assets and lease space**
- **Challenging to stack up projects financially**
- **Stoneweg will continue to follow ESG-led strategy**

How would you describe the 2024 real estate year?
2024 was an interesting year! There was optimism in the air at the start that investors would 'go through the door in 2024', but there was a lack of action. The industry had high hopes that the second half of 2024 would be much busier than the first. However, investment markets have remained relatively quiet as yields took most of the year to stabilise.

The world progressed through its largest-ever election year, which delivered few shocks and was characterised by an anti-incumbency shift.

Logistics, living and data centres were the most popular real estate segments while offices and retail remained more unloved. Capital raising continued to be challenging and occupier take-up slowed.

As we turn to 2025, our group is very optimistic about a recovery. Interest rates continue to fall, leading indicators of investment activity are flashing green and occupiers are becoming more acquisitive. As the supply pipeline dries up, we see stronger competition to acquire assets and lease space, meaning better times for European real estate investors like Stoneweg.

What are the main challenges facing the sector in general and your company in particular in 2025?
Real estate is undergoing a period of transformational structural change as it adjusts to megatrends like demographics, deglobalisation, digitalisation and decarbonisation. These create significant risks for real estate investors holding the wrong type of portfolios, which are aligned to stock that is suitable only for yesterday's occupiers, not those of today or tomorrow.

At the same time, the megatrends create unprecedented opportunities for investors that own, or can create, the type of modern, technology-enabled and sustainable real estate which is experiencing growing demand but remains undersupplied. A significant challenge for the sector has been adapting to this change to preserve value and capture new performance, and this will continue in 2025.

From a cyclical perspective, the high interest rate environment, and an elevated level of economic and political uncertainty, made it harder to raise new funds, deploy capital and recalibrate existing stock in 2024. High construction costs have made it challenging to stack up projects financially, and labour shortages have fuelled inflation and project delays.

Cyclical metrics are improving now that rates are falling, and inflation has been tamed, but labour shortages will continue and construction will remain tough as costs are unlikely to fall and development impediments related to ESG rise.

The challenge for 2025, then, is to select and maintain stock carefully to navigate the multiple challenges we face and lean into megatrends to benefit as they play out. Boldness in decision-making will be critical.

What are the main elements of your strategy for the year ahead?
After successfully completing the corporate acquisition of Cromwell Europe at the end of last year, 2025 will be focused on maximising the strengths of the combined entity. The acquisition doubled our AUM and provides us with a bigger base on which to grow performance and enhance returns for our investment partners.

We now have an expanded European footprint, which we will use to bring Stoneweg's deep living expertise and Cromwell Europe's logistics experience to new geographical markets. Investing into the hospitality and data centre sectors will also be a major focus, and we are actively exploring investment opportunities in both segments. We have some interesting refurbishment and development projects in the pipeline on behalf of client mandates and our Singaporean-based Stoneweg European REIT (SERT, formerly CEREIT).

We also like to continuously improve ESG performance of the portfolios and assets we manage. We will continue to follow an ESG-led strategy to ensure we do the right thing by the planet while protecting the value of our investments from climate illiquidity risk and ensuring we have the best chance to attract and retain occupiers who increasingly demand the highest sustainability standards.

> **'Interest rates continue to fall, leading indicators of investment activity are flashing green and occupiers are becoming more acquisitive.'**
> Jaume Sabater, Stoneweg

All eyes remain on Europe's interest rates

Philip La Pierre
LaSalle Investment Management

How would you describe the 2024 real estate year?
While 2024 was undoubtedly a challenging year for real estate capital markets, operating fundamentals and leasing were solid. And there are more signals pointing to an improving outlook on the horizon. The INREV ODCE Index returned to positive territory in Q2 2024 for core real estate funds, after seven quarters of negative figures.

Rental performance also remained robust. Our own portfolio data shows that, in 2024, rents for new and renewed commercial leases across our European portfolio grew 2.7% relative to expiring passing rent.

In 2024, we also saw some longstanding patterns and relative property type performance start to shift. For example, while GDP was positively correlated with rents in Europe for most of the period 2001-2019, they have become decoupled since the pandemic. It is a trend that has endured and even intensified last year as many European markets saw healthy rental growth despite weak economic performance. We believe this change in pattern is the result of both limited construction and polarisation of asset quality.

In 2024, European city centres bounced back further, increasingly attracting office occupiers and capital to more central locations. Those offices in prime locations with modern features won out, and we expect to see this trend continue in 2025.

What are the main challenges facing the sector in general and your company in particular in 2025?
Geopolitical and macroeconomic volatility will remain a key challenge. Europe still faces heightened recession risk and, as a region, our economic trajectory is vulnerable to how trade barriers evolve in 2025, and to fiscal constraints on government budgets in many countries.

Key takeaways for 2025

- **Prime offices will continue to attract tenants back**
- **Real estate fundamentals in central locations look strong**
- **European city centres remain an important focus for LaSalle**

All eyes remain on interest rates, given how they influence real estate capital markets. There's been an encouraging trend of slowing inflation and falling policy rates in 2024. But UK inflation has proven comparatively stubborn and led to particularly wide spreads in interest rates between the UK and Europe.

'In 2024, European city centres bounced back further, increasingly attracting office occupiers and capital to more central locations.'
Philip La Pierre, LaSalle Investment Management

Recent European GDP growth has been sluggish and its global competitiveness has eroded – a worry for long term tenant demand in more peripheral locations Germany was a notable laggard in 2024, whereas in Spain, Poland and Denmark growth was better.

Despite this, real estate fundamentals in central locations look strong. I expect to see average rent growth remain positive, especially in prime offices and rental housing. A challenge for real estate is that, with higher base interest rates, the asset class needs to earn its place in investor portfolios by providing higher income and total returns going forward. We believe we're now at that point in Europe – based on the widening spread between our expected real estate returns and European bond yields over the past year.

What are the main elements of your strategy for the year ahead?
The cycle is turning, and I believe 2025 is going be both a very interesting and exciting year for real estate investment. Despite macroeconomic headwinds, European city centres will remain a key focus for LaSalle, owing to their strong vibrancy and significant occupier demand.

From a sector perspective, long-term tailwinds for the logistics and residential/living sectors remain intact, though selecting the right locations will be crucial because we think the relative performance differences between major property types will be narrower.

Retail is back on the investment menu in a big way in many markets. Solid fundamentals and lower occupancy costs are evident across many of retail's many incarnations across the region following a nearly decade-long period of rebalancing. This is complemented by the investability of offices due to stabilising occupational fortunes and rebased pricing.

Debt strategies will continue to remain attractive for us. As all-in debt costs and unlevered yields come back closer to their historical relationships, near-term pricing will give way to a focus on the attractive long-term risk-adjusted return and diversification proposition of debt investing.

Taken together, Europe's distinct investment opportunities, coupled with the bounceback in market fundamentals, make it an important allocation in global real estate portfolios.

Living set to be the star performer over five years

Raj Kotecha
Amro Partners

How would you describe the 2024 real estate year?

Inflation proved to be more baked in than many of us anticipated, hence the real estate sector has had to adjust to being in a higher interest rate environment for longer. The first European Central Bank rate reduction in June marked the start of a downward trend in rates, which delivered a meaningful change in sentiment and activity within Europe in the second half of the year.

2024 saw the continued 'reset' of real estate markets globally. Inflation is now well under control in Europe, and our expectation is that we will see a further significant decline in ECB rates in the first half of 2025. Rate cuts in the UK look like they will be much more gradual.

Conviction in the living sector, particularly European student housing, is very strong and it's becoming more consolidated. Student numbers continue to grow and we're seeing a continued increase in internal and in-country student mobility. Each of those factors alone is a significant driver for growth.

Investor appetite is therefore increasing and we can see that clearly in the conversations we're having with our partners and looking at our 2025 pipeline. I believe living is on track to be the stellar performer over the next five years."

What are the main challenges facing the sector in general and your company in particular in 2025?

In the UK, challenges are connected to the interest rate environment and we look forward to that easing gradually and activity coming forward. In the living sector generally, rental affordability is a factor that needs to be carefully considered, although research we carried out recently indicates that, contrary to popular opinion, salaries have grown more quickly than rents in the last seven or eight years in many areas.

Key takeaways for 2025

- **Conviction in Europe's living sector is very strong**
- **Planning system remains a point of frustration**
- **Amro Partners plans to enter UK PBSA and Spanish BTR**

The fundamental supply/demand imbalance positions the build-to-rent (BTR) sector positively for investors seeking to exploit the long-term defensive position. But regulatory risk in the form of rent controls is an area of concern for some investors and one that will require consideration.

The slow and cumbersome planning system remains a point of frustration for everyone involved, and the challenge lies in bringing forward the right volume of opportunities to match the capital available. We welcome positive signals from the UK government in this area and look forward to seeing a relaxation of some of the arduous rules and regulations developers have to navigate to bring forward the high-quality projects the market is crying out for.

What are the main elements of your strategy for the year ahead?

We expect 2025 to be a year of significant growth for Amro Partners, comprising three strands. First, we plan to scale up in the new markets of Germany and the Netherlands, where we have established a presence and built local teams with outstanding credentials. We expect to announce our first acquisitions in early 2025, as part of a major new institutional capital partnership.

Second, we will build further on our existing presence in Iberia where we are well-established with an actionable pipeline of 5,000+ beds. A new long-term partnership with Invesco Real Estate will be a key pillar of this strategy, driving rapid, organic growth to meet demand for high-quality, ESG-leading student housing. Similarly, in the UK, we will be bringing forward our largest and most ambitious project to date in Lewisham, London, comprising 1,250 new homes.

Third, we are putting plans in place to enter the UK PBSA market and the Spanish BTR market, which will help towards broadening our strategies, while building on our existing presence in those geographical locations.

One of two assets acquired by a newly formed joint venture between Amro Partners and Invesco Real Estate. Located in the Moncloa-Aravaca district in the north-west of Madrid, it will provide 166 beds

> **'In the UK, challenges are connected to the interest rate environment and we look forward to that easing and activity coming forward.'**
> Raj Kotecha, Amro Partners

Will investors continue to find real estate attractive?

Keith Breslauer
Patron Capital

Key takeaways for 2025

- **Continued instability could hit real estate valuations**
- **There is a growing political backlash against ESG**
- **Many value-add strategies remain attractive**

How would you describe the 2024 real estate year?
2024 was marked by uncertainty and stability. Uncertainty in that there were geopolitical shocks in the form of Trump's US election win and Labour's landslide victory in the UK. But certainty in that interest rates stabilised. In other words, there were big questions creating uncertainty on one side, while on the other, financial markets have generally been steadying, supporting a recovery across real estate sectors. But all these factors are linked, so the uncertainty we've seen may lead to more instability in 2025 – or less volatility.

Many of the seeds of uncertainty for 2025 were sown in 2024. If Donald Trump enacts tariffs, as he's been threatening, it could knock between 1% and 2% off GDP growth in Europe. If he proceeds with his plans for China, who knows what that will mean for Taiwan and the South China Sea? The continued unstable environment could hit real estate valuations, which could in turn spell problems for some asset owners, but create opportunities for agile, longer-term well-capitalised investors like us.

What are the main challenges facing the sector in general and your company in particular in 2025?
2025 could be tricky for real estate markets. Although supportive fundamentals of restricted supply and strong demand for quality real estate remain, there is also the impact that slowing economic growth in Europe could have, which contrasts with strong growth in the US. Interest rate cuts in Europe remain likely, whereas it is less likely in the US, widening the disparity in rates to the detriment of the market in Europe.

Additionally, there is uncertainty around the ESG agenda, which has been a major investment criterion in the last few years. Recently there has been a growing political backlash against ESG from those claiming it's too expensive, asking why we are doing it, and implying it's an agenda that could dampen economic growth.

Then there is the general question of investor demand – will investors continue to find real estate attractive and at what price? Answers to these questions circle back to interest rates. I think there is more uncertainty at a macro level in the coming year because nothing has been determined. We don't know what policies Trump will enact, the impact of Labour's budget, and if there will be further tax rises. So there are a lot of unknowns.

> **'Generally speaking, our view is investment markets are underserved. There is a continuing hunger for capital for refurbishing and building assets.'**
> Keith Breslauer,
> Patron Capital

Having said that, this uncertain world has been around for a long time. And many investors are sitting on the sidelines with cash waiting, trying to figure out what to do. One senses that they are hungry and keen to deploy, and this may have a big impact.

What are the main elements of your strategy for the year ahead?
One reason we just acquired Cala Homes in the UK is because the residential sector remains dramatically underserved. This is the case across all developed markets and segments – whether for mid-market, or affordable and other living products like student housing and elderly care. How this shortfall is filled and the accelerating obsolescence of real estate assets due to, for example, ESG dynamics or technology, will play an important role in investment strategies.

The office sector has also stabilised, largely due to the general return of people returning to working on site.

Against this backdrop, many of the value-add strategies we aim to execute remain attractive. What we don't know is whether there is a distressed market *per se* – there are distressed elements with lots of debt due this year and next, and many people will struggle. But it's not yet clear what this means or what opportunities may emerge.

Generally speaking, our view is that real estate investment markets are underserved. There is a continuing hunger for capital for refurbishing and building assets. However, the banks are only prepared to lend a certain amount because of regulatory constraints, meaning there is place for private debt lenders and equity to fill the funding gap.

Traditionally, we have only played in one part of this world, and what we're trying to do is figure out how we could do more, whether through credit, or other strategies. Our 2025 will therefore be focused on building more products for the users of this money and investors.

OUTLOOK 2025 - CEE

Positive year ahead for Poland and CEE as investors return

There is a sense of optimism in the market across the region as economic conditions and fundamentals improve. **Nicol Dynes** reports

Poland is looking at the year ahead with renewed optimism after a better-than expected performance in 2024, delegates heard at Real Asset Media's European Outlook 2025: Focus on CEE, staged in Warsaw.

"The trend is positive this year, we have already seen more interest from investors and more capital coming in, so there's liquidity in the market," said Dorota Wysokińska-Kuzdra, senior partner and head of corporate finance for CEE at Colliers. "This week has been crazy, with so many calls from investors, showing the level of interest in the Polish market."

The preliminary figure of €5 billion for investment volumes in 2024 shows a strong improvement on 2023's €2 billion. Some deals that were agreed last year, but not finalised, will be added to the 2025 numbers, so the expectation is that by year-end, transaction volumes will be good.

"We are still not at the levels we have seen in the past, but we are moving in the right direction," said Wysokińska-Kuzdra. Last year there were major transactions in different asset classes, from logistics to offices to retail, showing the diversity of the market.

"We are very positive on Poland and will continue to look for opportunities and invest for the long term," added Fabian Haupt, senior director of real estate and M&A at investment adviser FLE. "We have diversified our portfolio, from offices to cash and carry to hotels, and we invest in regional cities as well as in Warsaw."

The recovery of the Polish market in 2024 is underpinned by improved economic fundamentals. GDP growth returned, inflation fell, unemployment is at an all-time low and the labour market is less overheated and there's less pressure to increase wages, which is good for employers. Rising consumer confidence, following the fall in inflation, was behind the retail sector's strong performance.

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Dorota Wysokińska-Kuzdra
Colliers

'Recently, Miele and Mercedes-Benz have moved part of their production to Poland. It is quite a shock to the system for Germany.'

Thomas Kaechele
M&G Real Estate

"More interest rate cuts are likely to happen this year as inflation pressures ease," said Grzegorz Sielewicz, head of economic and market insights at Colliers Poland. Lower financing costs would be an added incentive for investors to deploy capital in the market.

"Poland has shown that it is resilient and agile, good at adapting to evolving situations," said Sielewicz. "The weakness of the German economy is a cause for concern for us, but it is no longer the case that when Germany sneezes, Poland catches a cold."

A GEOGRAPHICAL SHIFT

There is a move from west to east as German investors look to Poland, delegates heard. "We have seen a lot of companies going east, not just in the logistics sector, but for production as well," said Thomas Kaechele, director, head of Germany and head of CEE at M&G Real Estate.

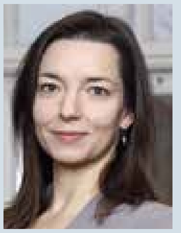
"Recently, Miele and Mercedes-Benz, two iconic German companies, have moved part of their production to Poland. It is quite a shock to the system for Germany, but there are good reasons for this ongoing move from west to east. There is a better environment on this side of the border, and fewer obstacles and bureaucracy than in Germany."

The reason it makes sense, says Kaechele is that the economy is more robust in Poland. Consumer confidence is stronger, and people have more money to spend, which explains the growth in online shopping. The rise of e-commerce, as well as the nearshoring trend, have driven the logistics sector.

There are opportunities at every level, added Haupt. "We like long leases and have done some interesting sale-and-leaseback transactions, focusing on smaller warehouses in the €10-35 million range."

Other positives for the market, apart from Poland's geographical location, include the availability of skilled labour and a strong infrastructure network. "There

Lenders open for right opportunities



Justyna Kedzierska-Klukowska, head of Berlin Hyp's Warsaw office, says financing markets and lenders are "open for attractive financing opportunities, focusing on larger transactions, including both portfolio transactions and sales of individual properties with emphasis on ESG requirements".

Asked whether lenders will be ready to finance the renovation of assets from brown to green, she said the market need for a product allowing transformation to be financed is growing steadily. "Availability of such financing appears to be crucial to achieve the required reduction in greenhouse gas emissions." But she added: "Without adequate regulatory incentives regarding risk assessment of this type of product, it will be difficult for the lenders to offer such loans on a wider scale."

The CEE market's performance in 2024 "appeared to be stronger than expected" said Kedzierska-Klukowska. "In Poland we will apparently reach €5 billion in investment volume, which is really a very good result. The market is missing the presence of the big international names in this segment, nevertheless, the good 2024 results confirm continuing attractiveness of the CEE market."

For 2025, she added: "The market expects that investment activity will keep on increasing and hopes for a return of West European investors. In terms of lenders' approach, I would expect a continued interest in prime product in all market segments."

are really good opportunities in logistics and the occupier market is very strong," said Wysokińska-Kuzdra. "Offices also accounted for a third of transactions in 2024 and I have no doubt the asset class will do well this year, even if some buildings will need repositioning."

The living sector is also set for growth: sales volumes of residential property have increased and student housing and co-living schemes are 100% let. The institutional rental market is new to Poland, where 85% of homes are owner-occupied, but renting is becoming more popular, especially in the big cities.

'EXCELLENT FUNDAMENTALS' FOR LIVING SECTOR

"The fundamentals of the living sector are excellent", said Wysokińska-Kuzdra. "Build-to-rent is doing well and the biggest platforms on the market generate double-digit net returns. Residential only accounted for €400 million last year, but I am sure volumes will increase this year. There are some good platforms on the market which could attract new capital to Poland, so prospects are good."

One possible obstacle to transactions is the Polish zloty, as investors need to hedge against currency risk and "hedging kills returns", said Wysokińska-Kuzdra.

Within the living sector, student housing has huge potential, as Poland offers more than 1,000 university courses taught in English and the numbers of international students continue to grow.

"There's a big opportunity there," said Kaechele. "Foreign students want good quality accommodation; they do not want to negotiate a contract with a local private landlord. Micro-living is also a growing segment, but more professional operators are needed."

At the other end of the demographic scale, senior living also is a growing segment. "The fundamentals are clear, as people age and demand will only increase," said Wysokińska-Kuzdra. "It is a Europe-wide trend, but you need to adjust to the needs and peculiarities of the local market."

Whether it's logistics or retail, offices or residential, the experts' advice is to invest soon, before the economy improves even further and the market takes off.

"The window of opportunity is still open, but it will close soon," noted Kaechele.

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Grzegorz Sielewicz
Colliers Poland

'We are very positive on Poland and will continue to look for opportunities and invest for the long term.'

Fabian Haupt FLE

Grzegorz Sielewicz from Colliers Poland (left) speaks with Real Asset Media's Richard Betts at the CEE Outlook event

OUTLOOK 2025 - GERMANY

Hopes for recovery in German market after difficult 2024

There are signs that this year there will bring more new transactions rather than restructurings as buyer and seller expectations narrow. **Nicol Dynes** reports

Senior lenders and alternative providers played a complementary and essential role in the German market last year, delegates heard at Real Asset Media's Trends 2025: Germany Investment briefing in Frankfurt.

"Every German bank is still open for business, some more aggressively than others," said Assem El Alami, head of international real estate finance at Berlin Hyp. "But there is pressure on lenders' loan books and regulatory requirements that is squeezing us, so it is easier for private debt to provide solutions. They are complementary to senior lenders."

It has been a low-transaction environment in Germany. Valuations are lower, but investors are still reluctant to commit.

"We are totally complementary to banks, because we step in where banks don't go," said Guido Gerstner, head of real estate debt and managing director at alternative investments manager Prime Capital. "The criteria for banks are different from what we require. We're less regulated so we can be more creative, differentiate ourselves from competitors and find new niches."

The difficulties experienced in the German market have led to increasing interest from certain types of buyers. "We have seen opportunistic investors giving capital to debt funds," said Filip Kurkowski, partner at law firm Ashurst. "They come mainly from the US and the UK, but also from Spain. These are new market participants that are entering Germany with that focus on opportunistic deals."

In some cases, these investors had been eyeing the market for a while, waiting for the right moment to act. "There is new capital in the market, but also old capital that had been watching from the sidelines for years and now that prices have come down they are making their move," said Inga Schwarz, head of research at BNP Paribas Real Estate Consult. "Foreign capital, especially family offices, seems to spot the opportunities before German players do, because they tend to see the glass half empty."

INVESTORS LOST

But the crisis may have led to the permanent loss of some investors, said El Alami. "I think Europe has slipped down the rankings on US and Asian investors' priority list. I am worried that some capital will not find its way back to the European market or to the German market, as our economy is stagnating."

2024 has been tricky for investors but positive for banks and for lawyers, delegates heard.

"For the banking industry, the last couple of years have been smoother than feared and we had good margins," noted El Alami. "This year there will be more competition in our market, because investment activity will pick up to a relatively low, but better, level and Germany is slowly picking up. In my view 2025 will be a moderately good year, but it could go the other way, especially if US president Trump's policies fuel inflation."

There is also the fact that Germany is facing elections in February, so uncertainty will mark the start of the year. But experts agreed that an improvement is on the cards as the year progresses. With interest rates going down and yields levelling out, the German market should pick up some momentum.

"2024 was good for lawyers, but I hope that 2025 will have a different focus, with more new transactions and less restructurings," said Kurkowski. There are already positive signs that will happen, he

added, as towards the end of 2024 there was more rescue financing, and more opportunistic deals.

"There will be more deals being done, in fact they are being negotiated now because the gap between buyers' and sellers' expectations has narrowed," said Schwarz. "We do believe in an uptick in activity. We are team glass half-full."

RECOVERY IN SIGHT FOR OFFICE SECTOR

Offices have almost become a niche segment in the current market, but there are reasons to be optimistic about the outlook for the sector, experts agreed.

"The office market has been paralysed but now we are getting out of that paralysis," said El Alami. "There is some movement in the market and that gives us some reason to be optimistic. I cannot imagine we can ever work without offices."

Offices perform an essential function and that will continue wherever economic activity takes place, even if there is still a question mark over the working-from-home trend. "For a long time it has been difficult for managers to have the confidence to invest in the sector," said Schwarz. "But now we see some improvements: office yields have reached their peak and the compression seen in London is likely to be seen in the rest of Europe as well."

London is usually the first to move in the cycle and represents a litmus test of what other markets will do. Take-up in central London was up 5% in the first nine months of 2024.

In Germany "office take-up has picked up quarter-on-quarter this year and institutional occupiers, as well as private companies, are taking up space and opting for larger offices again", said Schwarz. "We've recently seen a deal for 20,000 sq m in the heart of Berlin signed by a private company, which is a positive signal."

To find good tenants the office must be ESG-compliant, high-quality, close to shops and amenities and public transport. In short, "it must be worth the commute", Schwarz said.

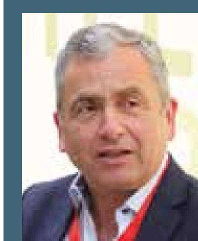
Vacancy rates in CBDs are low as demand for quality assets in prime locations outstrips supply, but there is a case to be made for repositioning assets. "We see offices as a niche sector," said Gerstner. "We're driven by returns and you can't get returns from prime, so our strategy is to restructure and transform assets in B locations."

Getting planning permission is a very time-consuming process, he added, but "letting the asset is the easy part and makes it worth it".

German institutions have traditionally been overallocated to offices and are now trying to reposition their portfolios, so good assets could come to the market. "The office market now offers some good opportunities and smart players are already doing deals," noted Schwarz.

'We step in where banks don't go. The criteria for banks are different from what we require. We're less regulated so we can be more creative, differentiate ourselves from competitors and find new niches.'

Guido Gerstner Prime Capital



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BNP Paribas: worst is over for Europe's CRE market

Things can only get better for Europe's real estate market, according to Inga Schwarz, head of research at BNP Paribas Real Estate Consult. "There's more investment momentum and confidence is returning, so we expect an improvement this year," she said.

Investment volumes, which had declined substantially, are now stabilising. In the first nine months of 2024, €108.8 billion was invested in CRE in Europe, an 8% increase compared to the same period in 2023, driven by all asset classes except offices (see map opposite).

Investments have been driven by overseas capital, which was up by 12% on 2023 with a market share of 45% across Europe and a peak of 68% in Italy.

US capital has also returned to the market, with a 48% increase in Q1-Q3 2024 compared with 2023, focusing particularly on Spain, the Netherlands and Italy. Middle Eastern and Asian capital is noticeably less active than in the past (-52% and 30% respectively), with most Asian investments focusing on Germany.

CAUTION ON LARGE DEALS

"Investors are more cautious on large deals and portfolio deals," said Schwarz. "Only 6% of transactions have been over the €100 million mark, and these few have been mainly in the hotel sector. Office portfolio deals have disappeared."

Transactions below €20 million and up to €40 million have been driving the market, but "as confidence returns we will see larger deals again, hopefully, because they make all the difference", added Schwarz.

The drop in office investment has been "tremendous", she added: for the first time ever the office sector has been on a par with logistics, with a €37 billion investment volume in the first nine months of 2024.

This is due to the office sector doing badly rather than the logistics sector doing well, Schwartz said. "The logistics occupier market in Europe has been sluggish, rental growth has been slowing down and it has been the sector that has seen the fastest repricing, but there is still strong appetite from investors."

Transaction dynamics have varied in different asset classes and countries. Office transactions declined by 26% in Q3 2024 and logistics deals by 9%, while the retail sector has bounced back with a 12% increase, with performance in Germany and Ireland being particularly strong.

Over the 12 months to November 2024, €20.2 billion was invested in European retail, with the high street accounting for 43%, an increase of 29% on 2023, while shopping centres and retail warehousing saw a drop on 2023 figures.

"High street growth has been supported by the luxury sector," said Schwarz. "Investors show most confidence in core markets, with Germany, the UK and France capturing almost two-thirds of transaction volumes. There's a rush to secure prime product in the heart of the main cities, seen as guaranteeing long-term value."

The retail sector has also been buoyed by the growth in tourist numbers, but in future, domestic consumers should also play their part. "The slowdown in inflation will impact positively on real wages and consumer confidence, thus boosting domestic consumption across Europe," said Schwarz.

The rise in tourist numbers to pre-pandemic levels is also behind the success of the hotel sector, which has done well across Europe. The biggest rises in investment volume were in Poland, Greece and the UK, while the UK and Spain attracted the most capital. "Hotels have been the favourite asset in 2024, recording a 67% increase on 2023 to €14.3 billion," noted Schwarz.

> 'The slowdown in inflation will impact positively on real wages and consumer confidence, thus boosting domestic consumption across Europe.'
> **Inga Schwarz** BNP Paribas Real Estate Consult

Commercial re

9 months 2024 vs 9 months 2023

UNITED KINGDOM	+7%
GERMANY	+15%
FRANCE	-10%
SWEDEN	-11%
NETHERLANDS	+33%
SPAIN	+14%
ITALY	+85%
NORWAY	+47%
POLAND	+42%
BELGIUM	+27%
DENMARK	+24%
FINLAND	-16%
IRELAND	+5%
AUSTRIA	-33%
LUXEMBOURG	+163%

≥ €5bn

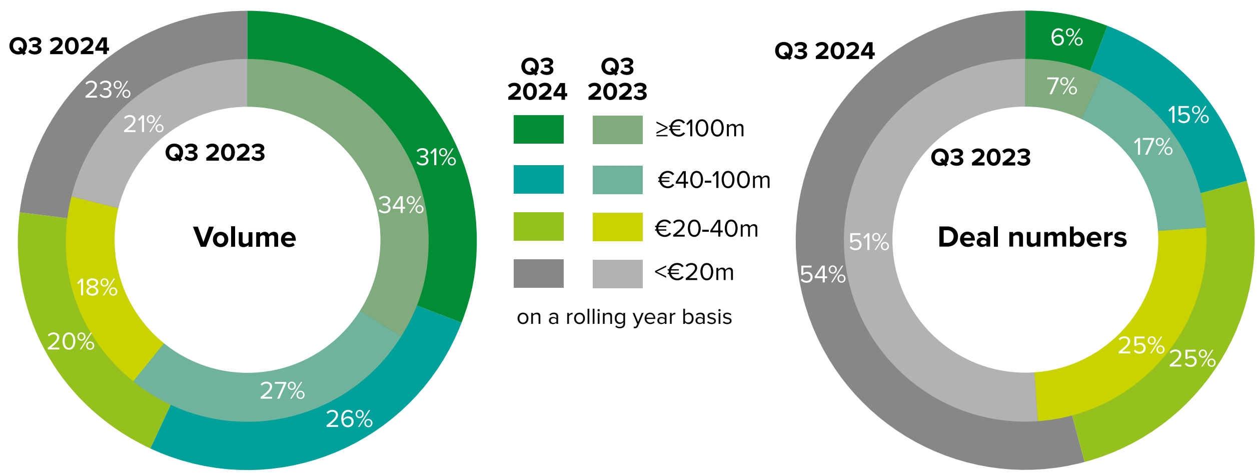
€400m 1bn

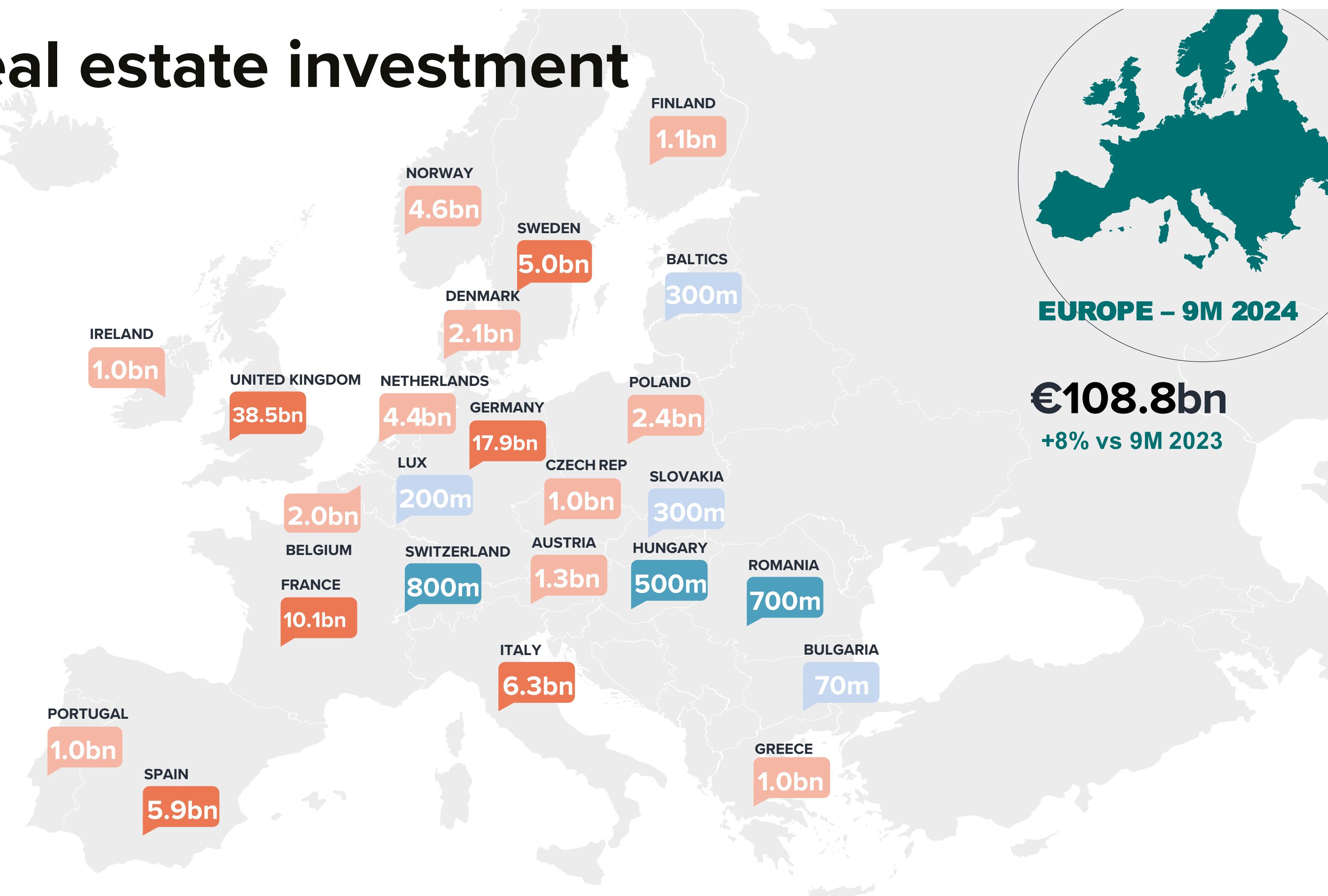
€1-5bn

< €400m

(excludes residential investment)

Investment in European CRE





OUTLOOK 2025 - FRANCE

French asset values set to rise in 2025 after market recovery

France has endured a tough couple of years, but with minimal fallout from price adjustments, experts are expecting an improvement this year. **Nicol Dynes** reports

The bottom of the French market was reached in 2024 and this year there will be more activity as investors are ready to deploy capital in real estate again, experts agreed at Real Asset Media's Outlook 2025 France briefing.

"Last year was the low point in the cycle and there's a clear expectation that values will increase again," said Benjamin Cartier-Bresson, head of Paris office at Berlin Hyp. "The mood is good, much better than a year ago," he added.

Price adjustment has taken longer in the slow-moving French market than in the UK, but the direction of travel has been the same. The change is already evident: in Q4 2024 there were more deals done and some dynamism returned, which is expected to continue in Q1 this year.

"2024 was one of the most difficult years, but now we are seeing more foreign investors active in the French market, which is a positive sign that most of the correction in values has happened," said Béatrice de Quinsonas Drouas, director of research at BPCE Real Estate Solutions. "We do regular surveys and now, for the first time in nearly two years, there's a clear intention to allocate more money, rather than less, to real estate."

FINDING THE RIGHT PRICE

Yet some remain unsure about pricing and are reluctant to suggest acquisitions to investment committees. "A few investment funds think the market is still in a sort of crisis and they are not ready to deploy money, because they bet that the downward adjustment is not complete yet and they prefer to wait," said Cartier-Bresson.

That said, those who dither in the hope that sellers will be forced to accept lower prices risk missing the boat, because values are rising again.

"There is a lot of money sitting there waiting for prices to fall even further," said Alfred Fink, partner at Taylor Wessing. "But most believe the market has bottomed out and investors are now in a positive mood. Some big funds have sold a few family jewels and now have liquidity to use for new projects and a clear strategy. There will definitely be an uptick in 2025."

It is likely to be a gradual increase in activity rather than a sudden flurry of deals, said Laurie Lagarde, head of EMEA logistics operator division at CBRE Investment Management. "Core investors are returning, not rushing in but trickling back to the market because they have

Three reasons for optimism about French market

Despite the political instability now gripping France, there are at least three reasons to be optimistic about the French real estate market, according to Cyril Robert, head of research for France at Savills.

> 'The office market has almost halved as a percentage of transactions, but we expect it to pick up again and this is very good news for France as it is the country's traditional core market.'
>
> **Cyril Robert** Savills France

"First, the quarterly trends are positive, recording a +21% between Q1 and Q3 this year, and we expect Q4 to follow the same positive trend," said Robert. "Second, risk-taking is acceptable again and there are opportunistic deals being done."

INTERNATIONAL INVESTORS RETURN

The third reason for optimism is that the share of domestic investors is less than half of the total, which marks "a big change from 68% in 2023 to 45% in 2024", Robert said. "International investors are back, which is a good sign."

Last year the French market was slow moving and underperformed: in the first nine months of 2024, transaction volumes have remained below the €10 billion mark, which represents an 18% decrease on the same period last year, steeper than the -5% average for the EU market and a massive -51% compared against the 10-year average for France.

"It is a gloomy backdrop, but it is not all bad news," said Robert. "The office market has almost halved as a percentage of transactions, but we expect it to pick up again and this is very good news for France as it is the country's traditional core market."

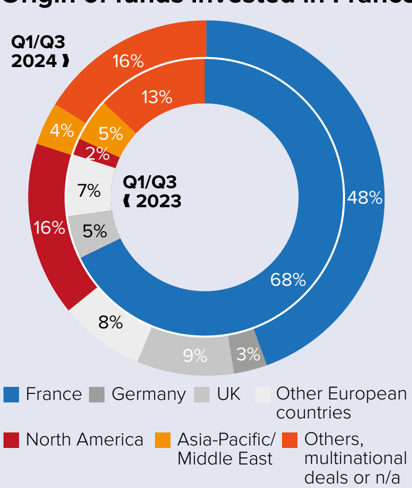
SUBSTANTIAL OFFICE TRANSACTIONS

Several substantial office transactions took place at the end of 2024, including a €120 million value-add asset in Boulevard Saint-Germain and Unibail-Rodamco-Westfield's sale of an 80% stake in Trinity Tower in La Défense to Norges Bank IM for €325 million.

"But the French market is no longer focused on the Paris region alone," said Robert. "This year, for the very first time, Paris accounts for less than 50% of overall volumes." The drop from 54% in 2023 to 44% last year for Paris was mainly due to the sale of Industrial & Logistics portfolios in the rest of France. Transactions in the sector increased from 17% of the total in Q1-Q3 2023 to 36% for the same period in 2024.

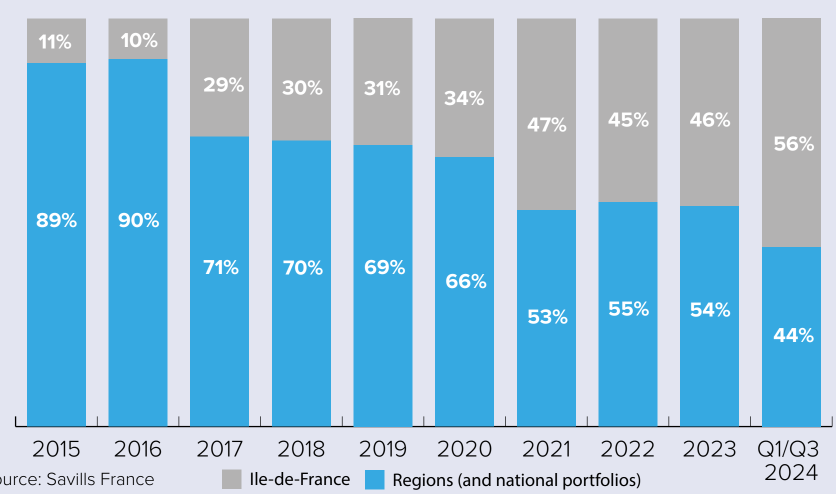
Prime yields have been stabilising and "we see a spread with French bonds, ,said Robert. "Bonds are likely to rise in the next few months, given the political instability in France. This leads us to be optimistic: we see the real estate market recovering and a return to transaction volumes close to €20 billion in 2025."

Origin of funds invested in France



Source: Savills France

Geographical breakdown of investment volumes in France



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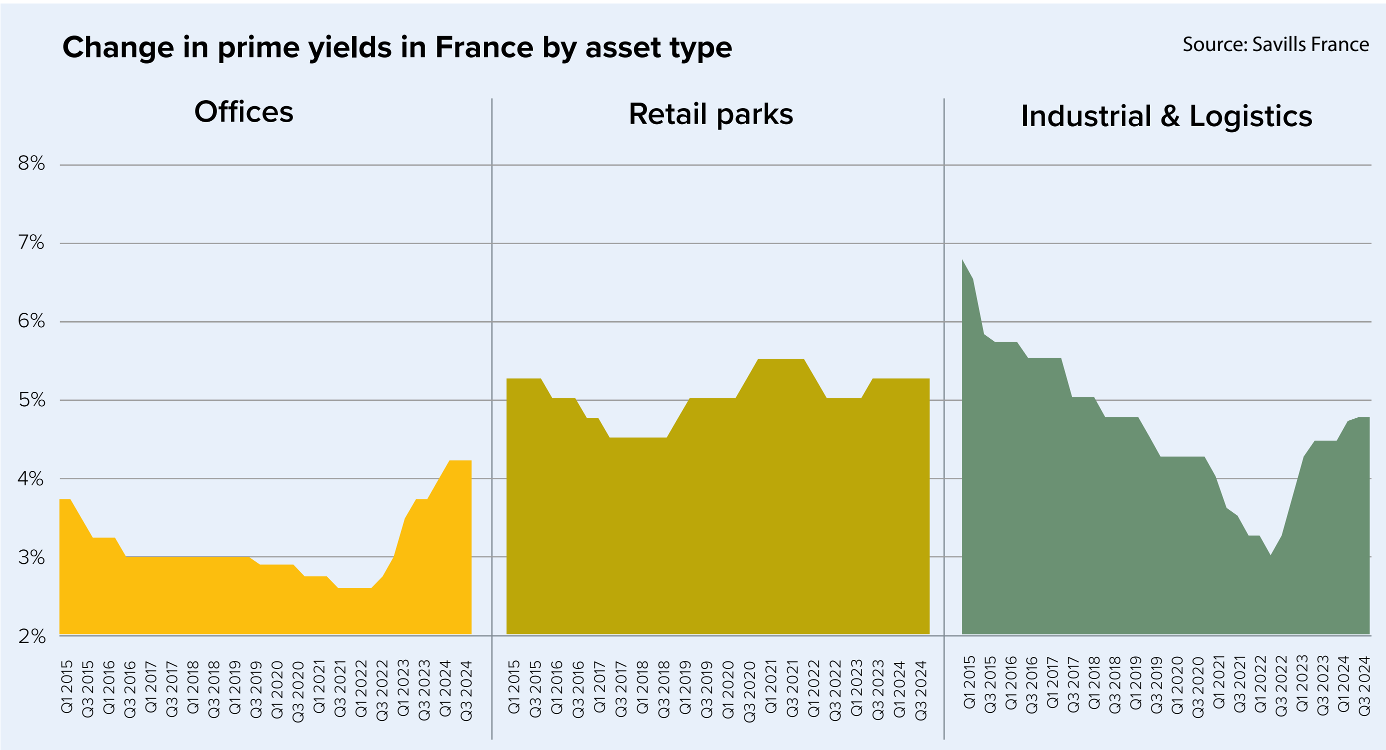

liquidity. We expect more capital to be deployed this year."

The French market is now ready to pick up but it proved resilient in 2024, because despite the slowdown in transaction volumes, there has been no crisis. "There are no repossessions happening, no problems in the market," said de Quinsonas Drouas. "This shows that the negotiations between banks and investors have gone well."

Adjustments had to be made last year on the lending market as values dropped and, in some cases collapsed, but they were made smoothly in most cases. "We had to deleverage a number of properties, usually through so-called loan-to-value covenants, which must be met according to the loan agreements," said Cartier-Bresson. "These were not always easy discussions, but they went well, and usually investors had some equity to deploy to resolve the situation."

NO MAJOR LENDER TROUBLES

Typically, the leverage cannot exceed 50% or 60%, so when the value of a property decreases by 30% or more, something must be done – equity must be brought in to repay part of the loan. "In the end, we can all be very happy with the fact that there was no major trouble at lenders' level," Cartier-Bresson added. "This is very satisfactory, because it enables us to be ready for new business when the investment market picks up again."

Competition for deals is set to return to the French market as overseas investors start deploying capital again, experts agreed. "We are seeing reallocations of capital from offices into logistics and core investors are coming back," said Lagarde. "There will be a real battle for space at the end of Q1 2025."

Logistics market fundamentals remain positive, she added, as supply has been and will continue to be constrained,

'We do regular surveys and now, for the first time in nearly two years, there's a clear intention to allocate more money, rather than less, to real estate.'

Béatrice de Quinsonas Drouas
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'Most believe the market has bottomed out and investors are now in a positive mood. Some big funds have sold a few family jewels and now have liquidity to use for new projects and a clear strategy.'

Alfred Fink Taylor Wessing

Unibail-Rodamco-Westfield's sale of an 80% stake in Trinity Tower in La Défense to Norges Bank IM for €325 million was a significant deal at the end of 2024

Image: Adobe Stock/JeanLuc Ichard

leading to favourable supply/demand dynamics, sustained rents and positive income returns.

"We know that developing an asset is not easy anywhere in Europe, and that the big e-commerce companies are looking at additional space everywhere, including France, for their future needs. E-commerce penetration will rise across Europe going forward, as online shopping evolves, and we are nowhere near US levels yet."

Another key driver for logistics is nearshoring, as more companies that had outsourced to China and other countries and subsequently had huge problems with their supply chains, are now moving production closer to their customer base.

"The nearshoring and reshoring trends are being amplified by the concern about trade wars and the US imposing tariffs," Lagarde said. "International investors are diluting risk by spreading out geographically and Europe can offer this. We can see a lot of activity in the UK right now as the market stabilises, but France is also one of the preferred strategies."

As well as logistics, residential in all its forms, hospitality and some segments of retail are also attracting investors' interest. "Outlets and retail parks have done very well, they have low vacancy rates and stable rents, and the high street has also performed," said Quinsonas Drouas. "Luxury and discount work well, the problem is everything in the middle: retailers need to work harder to give customers a reason to go to the shops instead of buying online."

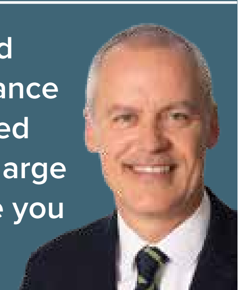
RETAIL AND HOSPITALITY IN DEMAND

Hospitality also defied the slowdown trend last year as deals were done to cater for growing high-end tourism. "We have had several big-money five-star hotel transactions in France in the last few months, and US investors cannot find enough assets to buy," said Taylor Wessing's Fink. "US capital, mainly big family offices from New York, is looking to buy assets in Paris, in the south of France and the Alps. UK investors are also willing to return to France now to do investments, and to even enter into joint ventures and provide additional equity where needed."

Investors will always want stable and predictable environments, and the UK has the edge over France at the moment, but two years ago the situation was the reverse, so things can evolve and change quickly.

'Core investors are returning, not rushing in but trickling back to the market because they have liquidity. We expect more capital to be deployed this year.'

Laurie Lagarde
CBRE Investment Management



'The good old recipe for France is a centralised country and large assets where you can invest a lot of money with very good visibility in terms of the rental income generated. That will work again and again.'

Benjamin Cartier-Bresson
Berlin Hyp

In any case, the current political instability is unlikely to damage the French market, said Cartier-Bresson. "What matters when buying a property or financing a property is how the property will perform. And what is happening in France will not really change things if you have a good property that is well let."

Geopolitical risk is everywhere and everyone has to learn to live with it, he added. It is all relative, and the French market has liquidity and solidity in its favour. "I would say that we are still in a strong position. The good old recipe for France is a centralised country and large assets where you can invest a lot of money with very good visibility in terms of the rental income generated. That will work again and again."

No magic bullet as Germany looks for return to normality

Despite interest rate cuts and the availability of alternative lending, other elements need to fall into place to make a difference in the German market. **Nicol Dynes** reports

The German real estate market is still in holding mode as economic and political uncertainty prevails, experts agreed at Real Asset Media's European Debt & Investment briefing in Frankfurt.

"We're still far from a normalised transaction market and it will take time to get there," said Markus Beran, head of origination, international investors at Berlin Hyp. "We're likely to have a wait-and-see situation for longer than we expected."

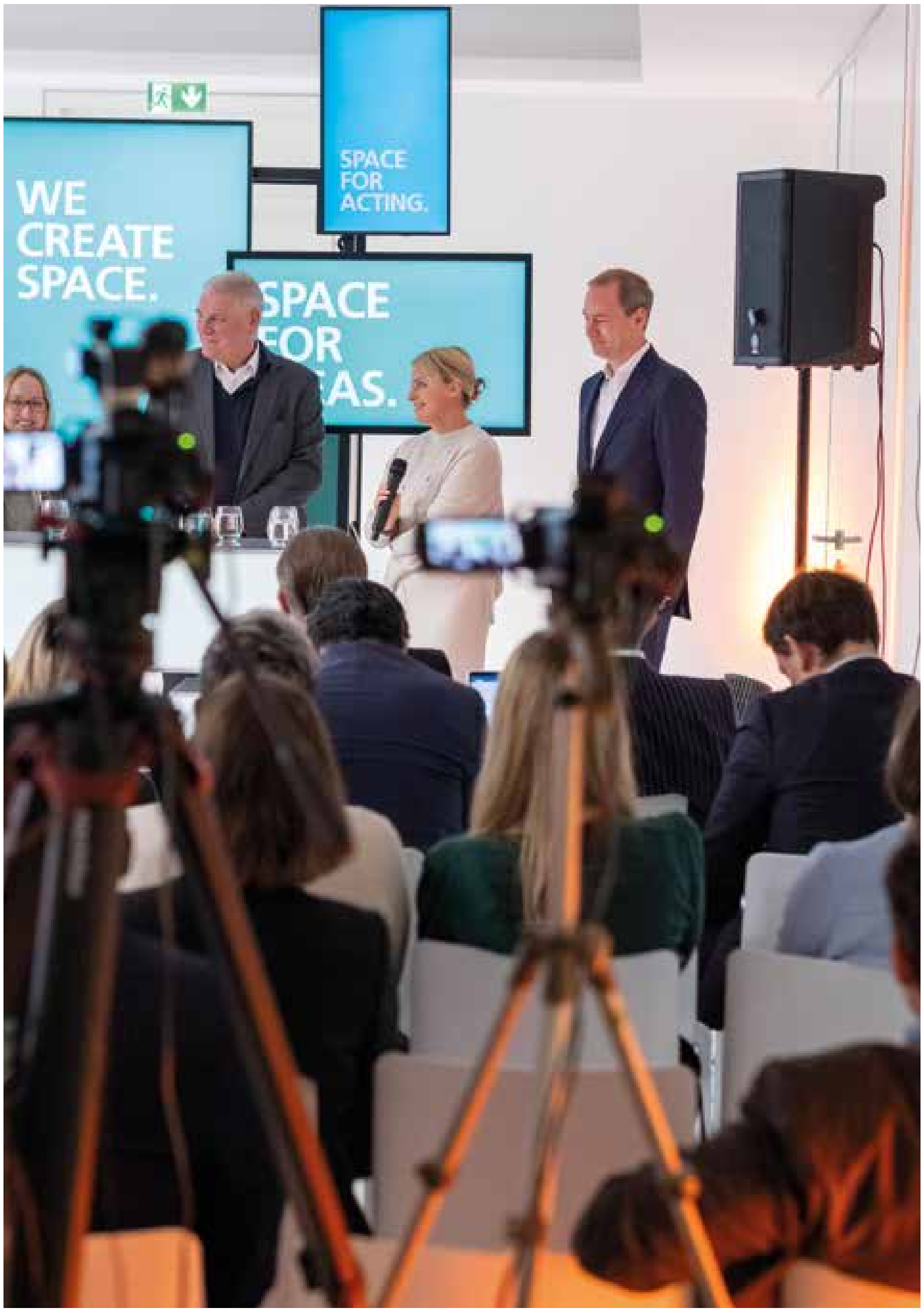
A few transactions are happening, which are of a limited size, so the feeling is that the expected improvement on last year has not yet materialised.

"The market is very dry at the moment," said Philipp Ellebracht, country head of Germany at investment advisory firm Incus Capital. "There are deals happening under the radar, very secretive transactions that don't appear in the media and that don't really move the needle."

The market is at a virtual standstill and real estate is still seen as risky. "It can only get better because it cannot get any worse," said Beran.

It is a peculiarly German problem, said Jürgen Helm, head of European senior debt originations at PGIM Real Estate. "Investors' confidence in the German market has taken a real hit, because of low economic growth and political instability. Other countries, like the UK, are doing much better."

There was some improvement during 2024, but not enough, he said. "I'm afraid Germany is not back to being a safe haven yet."



‘The requirements for borrowers are more stringent and the banks are less prepared to lend, so there is a funding gap. The alternative lenders need to step in.’

Anna Kreuter
Global Loan Agency Services

‘We finance all asset types, including modern offices or conversions to offices, but always selectively. We will even finance a shopping centre if it is well established.’

Markus Beran Berlin Hyp

Even the fall in interest rates in the Eurozone, will not be enough to transform the situation. “Real estate is a long-term business,” said Helm. “We cannot hope this market will get much better just on the back of interest rate corrections.”

A more realistic hope is of a gradual improvement in sentiment and in the market, but no fireworks are to be expected. “In 2025, transaction volumes might be a bit higher than now, but still nowhere near what was the norm five years ago,” noted Ellebracht. “We need to attract foreign capital again, otherwise there is a real risk of a flat outlook for two years.”

The upcoming elections in February should bring more political stability, which will help bring overseas investors back. But many different pieces of the puzzle need to slot into place to make a real difference.

Looking on the bright side, Anna Kreuter, transaction management group leader at independent debt provider Global Loan Agency Services (GLAS), said: “We are acquiring more experience of dealing with challenges, and that will help us when the market returns to normality.”

FUNDING GAP ‘YET TO BE BRIDGED’

The funding gap between borrowers and lenders in the German market is yet to be bridged, experts agreed. “The requirements for borrowers are more stringent and the banks are less prepared to lend, so there is a funding gap,” acknowledged Kreuter. “The alternative lenders need to step in.”

It is easier said than done, however, as everyone is focused on risk and concerned about the exit, there’s little equity available and development finance is virtually non-existent, experts agreed.

“Traditional lenders are keen on doing business, but only if it is super core,” said Katja Gramatte, head of real estate financing at BNP Paribas Real Estate Investment Management. “If the asset has a little scratch, it’s punished and there is no transaction. We have older buildings in our portfolio and we’re faced with higher refinancing rates.”

A focus on quality, strict regulatory oversight and the need to be ESG-compliant are a problematic combination in what is already a difficult market.

“The problem for the next 10 years is not traditional financing, it’s ESG requirements,” said Helm. “We need to invest heavily in existing stock just to protect its value, and the question is: who is going to pick up the bill?”

Huge amounts of funds are needed for transition financing at a time when conditions are difficult and market players have to make hard choices. “ESG is an important topic, but the priorities have shifted,” said Ellebracht. “People are focusing on their existing portfolios and on providing the returns they need because it’s an imperative. We have lost a lot of value and the market is out of balance.”

In addition, the increasing level of scrutiny from the regulators does not make things any easier, Kreuter pointed out, and it is affecting existing financing as well as new deals, because the need to provide additional information about what’s in companies’ books is slowing things down.

“When cashflow is tight, you have to be more conservative and aligned to what the authorities require,” said Beran. “They have pulled out deals and really check what we are doing – yet this is not 2008 and this crisis was not created by the banks.”

In fact, the traditionally cautious German banks are in a strong position and there’s no expectation of a wave of problematic loans.

“The good news is that banks are in good shape and alternative lenders have some €20 billion of dry powder to deploy in Europe,” said Helm. “The problem is that everyone prefers new acquisition financing to refinancing, and that everyone is chasing the same deals in the market.”

OPPORTUNITIES IN ALL SECTORS, BUT CAUTION NEEDED

Experts agreed that the German market offers opportunities in many asset classes, but investors and lenders need to be extremely selective. “If you’re an alpha player in the market you should consider financing offices to get risk-adjusted returns,” said Ellebracht. “It could be a great opportunity, but you need to be extremely selective. No compromises on cities or locations.”

The choice of office could be seen as counterintuitive, given the question marks over the future of work, yet rents in Frankfurt have risen, albeit only in the prime segment. “We’re heavily invested in offices and that is painful now if you are in a B or C location,” said Gramatte. “But it is such a big asset class, and such a big part of our books, that it cannot be ignored.”

There is money available for almost all

‘Investors’ confidence in the German market has taken a real hit, because of low economic growth and political instability. Other countries, like the UK, are doing much better.’

Jürgen Helm PGIM Real Estate

‘If you’re an alpha player in the market you should consider financing offices to get risk-adjusted returns. It could be a great opportunity, but you need to be extremely selective. No compromises on cities or locations.’

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Katja Gramatte BNP Paribas Real Estate Investment Management

Markus Beran from Berlin Hyp speaking at the debt finance event in Frankfurt

sectors, but there is an increasing focus on quality. “We finance all asset types, including modern offices or conversions to offices, but always selectively,” said Beran. “We will even finance a shopping centre if it is well established. Residential, especially for rent, is the most obvious choice because there’s such a housing shortage.”

Yet supply does not follow demand, as building permits have been at an all-time low in 2024.

“Residential rents for new builds have increased dramatically, often to an unaffordable point, especially in cities like Berlin,” noted Ellebracht. “But for 80% of the market across asset classes, rents have not gone up and there are question marks over valuations.”

OPERATIONAL OPPORTUNITIES

Operational real estate offers opportunities, experts agreed, but has its challenges. “Operational risk is now a fact in the market, whether it’s hospitality or self-storage, so lenders need to take it on board,” said Helm.

Healthcare and senior housing have demographic trends and increasing demand on their side, but they are too heavily regulated. “Despite the big demand, operators are under pressure,” said Gramatte. “It is a strong asset class, but it is challenged by requirements from the government.”

Berlin Hyp does not finance senior housing for that reason, said Beran. “In Germany, it is too heavily regulated, so we don’t go there.” For student housing, however, it is worth taking on the operational risk, he said. “PBSA is a strong and stable market and rents continued to increase even during the pandemic.”

Development finance is challenging in the current market, with a few exceptions such as residential, logistics and data centres, which is a favourite niche at the moment for investors, driven by the development of AI. “In principle we are open to all asset classes and willing to do all types of development, but always with some downside protection,” said Helm.

Trade wars could keep FDI subdued

With trump threatening tariffs and global geopolitical risks unabated, the outlook for cross-border investment in 2025 remains unclear, says **Courtney Fingar**

The official books on 2024 foreign direct investment (FDI) have not been closed, as organisations that track investment flows will not release the final tallies for a few more months. But early estimates provide a glimpse of last year and an indication of what may lie ahead.

Global FDI grew by 11% in 2024 to $1.4 trillion, according to UN Trade & Development, marking a partial recovery from previous years of sluggish growth. However, this figure conceals significant disparities. When flows through European conduit economies – often intermediaries in global investment – are excluded, FDI actually fell by 8%. This reflects ongoing structural challenges, geopolitical tensions and economic uncertainties that will shape the outlook for 2025.

While FDI to developed economies surged 43% in 2024, largely due to activity in conduit economies, in developing countries it declined by 2%, marking a troubling second consecutive annual drop. This decline threatens progress on the UN Sustainable Development Goals (SDGs), which depend heavily on international project finance. Investment in critical SDG-related sectors – such as agrifood systems, infrastructure, and water and sanitation – fell by 11% globally in 2024, compared with the baseline established in 2015.

The retreat of FDI from the Global South underscores a broader challenge: the uneven distribution of investment flows. Developing countries require sustained FDI to fund infrastructure, create jobs and build resilience. Yet geopolitical risks and weak investor confidence in these regions are exacerbating capital shortages.

With Donald Trump beginning his second term as US president with a flurry of 'shock-and-awe' executive orders and his typical bombast, his trade policies are poised to influence global FDI patterns. During his first term, tariffs on Chinese goods led to a shift in global investment flows.

James Zhan – a senior fellow at Chatham House, senior adviser for the World Association of Investment Promotion Agencies, and chairman of the World Investment Conference – explains that trade wars have a dual effect on FDI: they deter trade, and encourage investment that bypasses barriers. Under Trade War 1.0, for example, export-oriented investments shifted from China to Mexico and Southeast Asia, where firms could maintain access to the US market without tariffs. Chinese companies also responded by increasing outward FDI to overcome these barriers.

TRADE WAR 2.0 BRINGS THREATS

The anticipated Trade War 2.0 could deepen these trends and drive more FDI into emerging markets with stable trade relations. Mexico, Vietnam and other Southeast Asian countries stand to benefit, while some Chinese firms may continue to expand abroad. Zhan notes that these dynamics could lead to broader dispersion of FDI, including investment in productive infrastructure and supplier networks.

Despite these challenges, there are reasons for cautious optimism. Improved financing conditions and a resurgence in mergers and acquisitions (M&A) activity are expected to drive moderate growth in FDI in 2025. Developed economies may benefit the most from this, with cross-border M&A activity signalling a potential recovery from a two-year slump.

However, risks remain high. Geopolitical instability, rising protectionism and persistent inflation could deter investors. The restructuring of global supply chains – while creating opportunities in some regions – may also leave others behind. This emphasises the need for tailored policies that attract long-term, sustainable investment in underfunded areas.

RECOVERY TEMPERED BY UNCERTAINTY

The outlook for FDI in 2025 is a microcosm of broader global economic trends: recovery tempered by uncertainty. While developed economies may continue to attract significant flows, developing regions will need strategic support to address structural gaps and attract much-needed capital. Policymakers must navigate the shifting landscape of global trade and investment with an eye toward fostering resilience and equity.

As trade wars reshape supply chains and global investment patterns, the challenge for 2025 will be to balance growth with inclusivity, ensuring that FDI becomes a driver of sustainable development rather than a source of further disparity. ●

Courtney Fingar is the founding partner of Fingar Direct Investment and a contributing editor to Real Asset INSIGHT.

'Under Donald Trump's flurry of 'shock-and-awe' executive orders, his trade policies are poised to influence global FDI patterns.'
Courtney Fingar

REAL FDI
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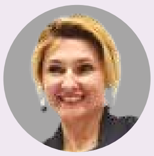
Five years of senior living commitment



**Sylwia Ziemacka,
Head of membership
and partners network,
SHHA**

We are proud to celebrate SHHA's fifth anniversary, marking five years of commitment to advancing the senior living and healthcare real estate sector. From just nine founding members, SHHA has grown into a thriving network of more than 40 members and partners across Europe and the US.

From the outset, our mission has been clear: to unite industry leaders – operators, developers, financial institutions, and investors – to share knowledge, foster collaboration, and implement best practices. Our goal remains to boost confidence and drive engagement in this evolving sector, ensuring it meets the needs of ageing populations with innovation and excellence.

> **'From the outset, our mission has been clear: to unite industry leaders to share knowledge, foster collaboration, and implement best practices.'**

Today, SHHA stands as the leading platform for thought leadership, collaboration, and innovation in senior housing and healthcare. Our growing network reflects the industry's shared commitment to shaping a future where ageing is approached with dignity and sustainable solutions.

We are delighted to welcome our newest members – Specht Gruppe and Carterwood, along with our partner, the European Ageing Network (EAN), which represents more than 12,000 care providers across Europe, further strengthening our collective influence.

As the senior living and care sector gains well-deserved attention at Mipim, SHHA will engage with key stakeholders, fostering connections and contributing to discussions that will shape the future. Stay connected with us as we continue driving momentum and innovation in the sector.

https://shha.international

SHHA

ICGRE provides £63m loan for Henley retirement scheme

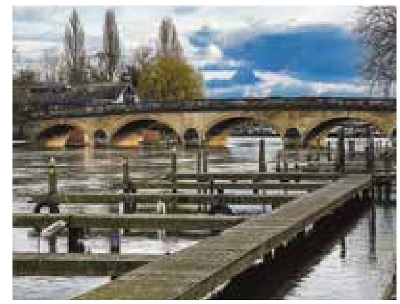
ICG Real Estate, the property arm of alternative asset manager ICG, has provided a £63 million loan to fund a new retirement project in Oxfordshire, in the UK.

The borrower is a joint venture between Elysian Residences and Senior Living Investment Partners (SLIP), the partnership between Pension Insurance Corporation and property lender and investor Octopus Real Estate.

The facility will fund the acquisition and development of a 100-unit luxury integrated retirement community in Henley-on-Thames.

The development will be a mix of one-bedroom, two-bedroom, and three-bedroom homes with a wide range of amenities. Designed to promote a strong sense of community and wellbeing among residents, the buildings surround communal spaces and have central facilities.

The loan from ICG follows a recent



announcement of capital invested in the same project by SLIP and Elysian and is the first transaction between ICGRE and Octopus Real Estate.

"We continue to see living as a high-conviction sector, with Henley-on-Thames our first deal in the retirement space," said Isobel Dench, managing director of ICG Real Estate.

"We see this development as a great opportunity to enter the market alongside experienced sponsorship, in a prime location with strong micro fundamentals."

Aedifica buys Liege care home

Brussels-headquartered Aedifica has invested about €29 million to acquire a purpose-built care home in Belgian city Liège.

Franki is located in the centre of the city and was constructed in two phases. The initial building was completely developed as a care home in 2013. In 2022, Franki was further expanded with the construction of a new building on an adjacent site.

The home has capacity for 209 elderly residents, including 193 that require continuous care and there are 16 apartments for elderly people who wish to live independently, but with care and services on demand.

Franki is operated by Vulpia, an established operator with more than 25 years' experience in the Belgian elderly care sector. Aedifica acquired the property by taking control of 100% of the shares in the real estate company that holds it.

"We are investing €29 million in the acquisition of a care home in Belgium, demonstrating our ability to make investments in the Belgian market at attractive net yields that have a direct positive impact on the company's earnings per share," said Aedifica chief executive Stefaan Gielens.

Civitas plans to double UK pipeline and expand further in Europe

Civitas Investment Management, the UK-based impact investor working across senior and specialist healthcare and education, is pushing ahead with its European expansion, targeting Germany and the Nordics.

This is in addition to its strong ambitions to continue growing its market-leading business in the UK, where around 2.5 million people are in need of supported housing. Civitas has a £100 million-plus pipeline in the UK, which Andrew Dawber, the firm's founding partner, told *Real Asset Insight* "could easily double".

Dawber's team "is currently discussing these opportunities with a number of third-party investors who are keen to increase their exposure to this sector and invest alongside us", he added.

"Germany is also an amazing opportunity. Senior care is better funded than in the UK. We want to expand considerably in Europe, and we could invest €5 billion in Germany alone."

Civitas is recruiting for its new office in Germany, a market it entered in October last year. Its first investment was the €300 million acquisition of a 3,000+ bed portfolio of 26 elderly care and assisted living homes, mainly in Berlin and Hamburg, from Vonovia SE, the largest listed residential landlord in Europe.

Civitas founding partner Andrew Dawber: "We want to expand considerably in Europe, and we could invest €5 billion in Germany alone."

"Germany is a very fragmented market and there is a lot of consolidation to come, so we see many opportunities," Dawber said. "We're open to off-market deals and ready to buy portfolios. But we need German people on the ground, which is why we are recruiting."

Civitas has also entered into a 25-year agreement with Alloheim Senioren-Residenzen SE, Germany's number one care operator, which will continue to deliver care and support for residents of the 26 homes in the portfolio.

The investment in Germany, made on behalf of the Civitas European Social Infrastructure Fund, allows the company to exploit "its long track record and expertise in the community care sector" and takes its total European capital commitment to more than €450 million.

Civitas plans to "significantly expand" its European presence and is seeking to deploy up to €1 billion into investments in "high-quality assets and locations with strong operators" in the short to medium term. It set up a European team three years ago and did its first deal in Sweden, buying a care-based housing operator in Gothenburg for €50 million.

"We have a great team in Sweden, we also own the operating business and it has been very successful," Dawber said. "We will expand there and we are also looking at other parts of the Nordics. There are good opportunities in Spain as well, and the Italian market is very interesting. But ultimately, our expansion in Europe will depend on what investors want."

AIF Capital acquires healthcare property in Esslingen

Stuttgart-headquartered AIF Capital Group has acquired a nursing home in nearby central Esslingen for a family office as part of an investment and asset management mandate.

The property, at 37 Schelztorstrasse, is the Dicker Turm nursing home. Constructed in 2007, the facility has a rentable area of around 4,375 sq m and 90 nursing places.

AIF said that targeted investment will further increase the value of the property by implementing modern care concepts and sustainability standards. It envisages the modernisation of residents' rooms and common areas as well as improvements to energy consumption and installation of a photovoltaic system.

The Dicker Turm nursing home has 90 places

Knight Frank: UK's healthcare sector continues to outperform

UK care home occupancy is at the highest level since pre-pandemic times, and average private care home fees increased by 9% year-on-year last year as demand exceeded supply, according to Knight Frank's 2024 *UK Care Homes Trading Performance Review*.

"The healthcare sector's performance has continued to reflect its robust underlying growth fundamentals, with an ageing population creating supply side pressures for good-quality, single-bed facilities across the UK," said Julian Evans, partner and global head of healthcare at Knight Frank. "Despite headwinds in recent years, which have led to higher operating costs, quality care homes in areas with the right demographic profile continue to operate with remarkable resilience, given they meet an essential societal requirement."

Occupancy levels across private care homes in the UK reached 88% last year, according to the report, which represents a 2% increase on 2023 and is the highest average occupancy rate since 2019, as structural trends continue to fuel requirements.

Occupancy levels had fallen almost 10% in 2020 to 79%, but the sector is now witnessing a full recovery, having seen steady annualised increases in line with growing demand from an ageing population across all regions.

"Growing occupancy and property income levels have coincided with inflationary pressures moderating, which means that higher volumes of capital will target opportunities within a sector facing a shortage of quality stock," said Evans.

KF surveyed 80% of the UK's corporate care market, which comprises more than 100,000 care beds across 781 towns and cities. Higher occupancy levels have seen the average weekly care home fee grow 11% year-on-year – it is currently £1,182 per week. As a result, earnings before interest, taxes, depreciation, amortisation, rent, and management fees across the private care home sector increased 26% in 2024.

The highest yearly increase in fees was seen in London (14%), while the North East (60%) represented the highest proportion of self-funded care residents across the country. Northern Ireland witnessed the highest year-on-year growth out of all UK regions, with occupancy increasing 6.4%, followed by Wales, which recorded a 5% rise across its private care homes.

Knight Frank's research found that 63% of residents in private pay or self-funded homes fall within the over-85 age bracket, compared with 46% in local authority homes. This reflects both the general wealth profile of this higher age demographic, as well as the specialist acute care required.

The UK's over-85 population is expected to grow significantly over the next 15 years, from 1.6 million (2.5% of the total population) to 2.6 million (3.5%). The shortage of dementia care beds is particularly acute, with requirements currently outstripping supply by approximately 10%.

Leumi provides £13.5m loan for UK care home

Care home developer and operator Cinnamon Care Collection has refinanced a new care home in the UK's West Midlands with a £13.5 million loan from Leumi UK. The transaction takes Cinnamon's total facility with the lender to £56 million.

The transaction represents the fifth site Leumi UK has refinanced in the last 18 months and the seventh site since the relationship was established in 2015. The deal brings the total portfolio funded by Leumi UK to 351 registered beds.

The Oakley Grange care home (pictured right), opened in August 2024, is located on the border of Royal Leamington Spa and Warwick and has 66 fully-furnished en-suite rooms with level-access wet rooms, as well as five care suites.

The Cinnamon Care Collection is a group of care homes and retirement villages and the current portfolio comprises 23 sites, with a further home under development.

Guy Brocklehurst, relationship director at Leumi UK, said: "This transaction underscores our ongoing commitment to supporting high-quality healthcare projects in the UK, and reinforces our position as a key partner in the care home sector."

On the move... Craddock takes MD role at Greystar

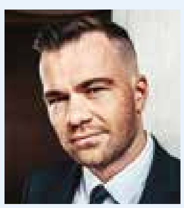
Greystar has appointed **Mary Craddock** as managing director of portfolio management for Europe, with responsibility for separate client accounts.

Reporting to Daniel Breeden, she will oversee Greystar's relationships with joint venture partners in Europe, driving growth for each of the local market build-to-rent (BTR) or purpose-built student accommodation (PBSA) strategies across Europe.

Craddock has more than 20 years' experience in investment and asset management gained in Europe, the US, and Japan. Prior to joining Greystar, she was managing director at Lapithus Management, where she developed and built the investment and asset management strategy for the Apollo European Core Plus real estate platform.

Her experience spans sectors including PBSA, residential, retail, office, and logistics, with a specialisation in managing joint venture structures and value creation.

Jakub Kodr promoted to lead CTP in the Czech Republic

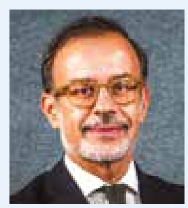


CTP has promoted **Jakub Kodr** to managing director for the Czech Republic. He joined CTP in 2017 and was previously head of business development.

In his new role, Kodr will focus on further expansion, strengthening relationships with clients and key partners, and implementing the CTP's plans across the Czech Republic, where it owns and manages 57 CTParks.

Kodr started his career in real estate development at Cushman & Wakefield, where he worked for five years.

Savills appoints Valente as MD of Porto office...



Savills Portugal has appointed **Ricardo Valente** as managing director of Savills Porto, where he will lead the firm's operations in the north of the country.

Valente has more than 30 years' experience in economics, finance, entrepreneurship, and municipal management and has held high-profile roles at Porto City Council.

He has also been a professor in the faculty of economics of the University of Porto for 30 years.

... and Linder to head German industrial

Sebastian Lindner has taken on the newly-created role of head of industrial agency at Savills Germany. He will also continue to head up the Düsseldorf office.

Lindner joined Savills in 2022 and has more than 20 years' experience in the property industry. He previously worked for Anteon Immobilien, JLL Germany and BNP Paribas Real Estate.

Weldemariam is Montano's third managing partner

Montano Real Estate has appointed **Samson Weldemariam** to the management team. Weldemariam has been with Montano since 2013 and will strengthen the management team as the third managing partner alongside founders Ramin Rabeian and Sebastian Schöberl.

Since 2016, Weldemariam has been responsible for all purchases and sales as head of investment, including flagship transactions such as Uptown Munich and the House of Lifelong Learning in Dreieich.

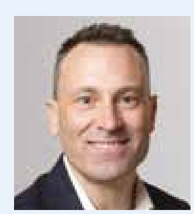
Johansson joins Revelop as exec investment director

Revelop has recruited **Johan Johansson** as executive director for investment.

Johansson most recently worked in real estate direct investment at Partners Group in Switzerland. Prior to that he worked at Starwood Capital Group in London and in Savills' capital markets department in Stockholm.

His appointment follows Revelop's capital-raising activities, which position it to capitalise on opportunities in the Swedish market.

Hamilton appointed new chief of growth at CBRE UK



Tim Hamilton has taken on the newly created role of chief growth officer for CBRE's UK occupier business.

Reporting to Julie Ennis, he will develop and implement CBRE's UK occupier growth strategy and will also be responsible for expanding the firm's client solutions function across all key occupier services.

Hamilton has spent much of his 30-year career with CBRE. He also previously spent five years at Goldman Sachs.

Mayhew takes asset management role at Barings

Barings has appointed **Ian Mayhew** to lead real estate asset management in Europe. He has been with Barings nearly 18 years and was most recently head of UK real estate asset management.

Mayhew takes over from James Salmon, who retired earlier this month. He has been involved in some of Barings' most complex projects, including the introduction of more comprehensive green lease provisions to the company's standard agreements and ensuring a greater emphasis on social value.

Mayhew will lead a team of 20 asset management specialists across Europe. A key priority will be delivering social and environmental sustainability along with a proactive and customer-focused approach towards asset management.

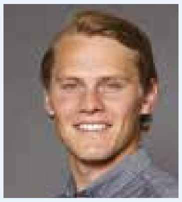
Hines appoints Unge as new head of Nordics...

Hines has appointed **Staffan Unge** as head of the Nordics, based in the company's Nordic headquarters in Copenhagen.

Unge's previous roles include head of investment management at Slättö Forvaltning; country head for Sweden at Barings; and head of transactions and business sevelopment at Svenska Handelsfastigheter, where he has served as a board member since April 2023.

Unge succeeds James Robson, who is leaving Hines.

... and hires two managing directors in the Netherlands



Hines has also appointed **Joppe van der Heijden** (pictured) and **Tom Redecker** as managing directors for the Netherlands, following the recent appointment of Jan Hein Tiedema as country head and Thomas Ummels as head of development and construction.

Prior to joining Hines, both worked for Dutch real estate developer EDGE (formerly OVG) for eight years, van der Heijden latterly as acquisitions director and Redecker as projects director.

Luca de Ambrosis joins luxury retail team at Newmark

Luca de Ambrosis Ortigara has joined Newmark as a consultant to its growing luxury and premium retail team.

The appointment is a pivotal step for Newmark as it continues to strengthen its presence in the global retail property market.

De Ambrosis has more than 35 years' experience in commercial real estate, and is recognised as a pioneer of modern retail across Europe and on the international stage.

Newmark supports businesses with their retail strategy in the UK, Europe and around the globe. Clients include Polo Ralph Lauren, Burberry, Richemont, Watches of Switzerland, Swarovski and Paul Smith.

De Ambrosis founded DEA Real Estate Advisors in Milan in 2003, where he had a critical role in the development of urban projects such as Porta Nuova and CityLife.

He previously worked for Cushman & Wakefield and Value Retail and was a partner and managing director of McArthurGlen.

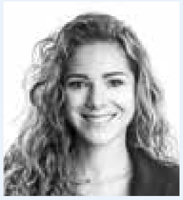
Flick succeeds retired Suchsland at Commerz Real

Sebastian Flick has assumed the role of global head of CFB funds, structured finance and investments at Commerz Real.

The real assets subsidiary of Commerzbank bundles its closed-end funds for private investors in this division, as well as financing products, including property leasing financing and operator and leasing models.

Flick succeeds Martin Suchsland, who retired in autumn 2024 after 30 years at Commerz Real.

KF hires new head of global portfolio solutions for EMEA



Knight Frank has appointed **Giulia Grigolato** as head of global portfolio solutions, EMEA, continuing the firm's strategic hiring for occupier strategy solutions across the region.

Grigolato was previously at JLL and has more than 13 years' experience in corporate real estate strategy and portfolio management. She has held senior leadership roles in Paris and Shanghai and has been a board member of CoreNet's Global France Chapter since 2022.

Colliers hires Sielewicz to head CEE insights

Colliers has appointed **Grzegorz Sielewicz** as head of economic and market insights for CEE, overseeing Bulgaria, the Czech Republic, Hungary, Poland, Slovakia and Romania.

Sielewicz will focus on further expanding Colliers research platform at regional and local levels, providing forward-looking analysis, insights and strategies. He will also have a role in managing local market insight teams.

He joins Colliers from credit risk management firm Coface.

How regular audits can solve inaccuracies in lease data

Critical information that is missing has a huge impact, says NTrust Infotech's **Martin Betts**

Data audits of both larger and smaller investors by proptech company NTrust Infotech reveal an average of about 25% inaccuracy on property and lease data and as much as 40% of the inaccuracies relate to critical information such as dates and rent amounts.

"So that has a huge impact: missing critical events, having the wrong rent paid or received from your tenants, is potentially costing a huge amount of money," said Martin Betts, NTrust's vice-president for commercial real estate EMEA.

He added: "This is only on the data that they have actually captured, we're not even looking at the data that they haven't captured."

Inaccurate recurring billing details can either lose an investor money or result in tenants being overcharged. "And that will come back to bite," Betts told *Real Asset Insight*.

"But again, more importantly, by missing a critical date where that's a break, potentially you can't move that tenant out and that is going to cost a huge amount of money. So if you're unaware of the data you're utilising you aren't going to make the correct decisions."

Similarly, service charge records are frequently wrong. "We've done a huge number of service charge audits and on an average of one in three leases, service charges are incorrectly set up."

Across the board, $10,000 per annum per lease is being underrecovered, Betts noted. "So it's a significant amount of money which at some point would have to be recovered from the tenant."

Occupiers also frequently hold inaccurate information about their real estate. "We've done a large number of service charge audits with the global occupiers. Over the last three years, on average, across just five individual corporate occupiers, we have seen that they have been overcharged $27 million in those three years. We've audited tenants over a 10-year period too. One tenant was overcharged more than $20 million and we have [provided] evidence of that so they can go back to their individual landlords to recoup that money."

Betts said that while NTrust has undertaken a significant number of audits of both leases and service charges, as a percentage of the market it is still small. "So, it is a hidden issue because no one is really aware what their data is actually telling them."

Betts added that trusting data is a mistake, but frequent audits can alleviate the problem. "What we would suggest is to audit elements of your data – it doesn't have to be everything, maybe the lease, maybe the service charge – on a six-monthly basis, and that will highlight smaller problems which are easily solved."

The problem is a huge opportunity for third parties. "If they're advising or managing that client's property then they have the ability to put forward audits to push that agenda to say 'we want this data to be correct, we want you to gain the benefit of actually having 100% accurate data', so it's a real opportunity for the third party to push it with their clients."

He explained that a common issue is when the master data comes from different sources, and it may become misaligned perhaps in terms of floor areas or updated rent figures.

"Getting that initially set up is important, so auditing it from the outset, but the six-monthly or quarterly audits keep them in line," Betts said. "It's an easy problem to solve and can be solved monthly or quarterly. It's really cost-effective and it's a really easy solution which the investor or the occupier can easily take up at any given time."

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