A MACROECONOMIC OUTLOOK

- In the first half of 2025, Europe moved into a fragile recovery. Inflation fell back to the ECB's 2% target by June, enabling two rate cuts that brought the refinancing rate to 2.15%, while the Bank of England lowered its base rate to 4.25%
- Bond markets were volatile: Bund yields jumped 50bps in March before retreating after April's tariff shock between the U.S. and EU. Trade tensions briefly slowed sentiment in Q2, but activity rebounded in June
- Labour markets stayed tight, with low unemployment and rising wages sustaining consumption. Real estate reflected these dynamics: living sectors outperformed on undersupply, prime offices and retail parks regained investor interest, and tourism lifted hotel RevPAR by 2–5% YoY
- Overall, H1 2025 confirmed stabilisation: inflation under control, financing costs lower, and selective growth pockets emerging, while geopolitical and trade risks persisted

B FINANCING MARKETS

- Financing conditions have materially improved. While 5-year swap rates mostly moved sideways, this was offset by a compression in margins resulting in lower borrowing costs, especially in Euro-denominated countries
- Financing terms remain conservative, with senior LTVs at 50–60% and prime margins at 150–190bps. Stretch lending above 70% LTV is mainly offered by debt funds at 6–9%, while junior and mezzanine financing requires 9–14% returns
- Public markets show renewed momentum with €18bn bond issuance in H1 2025, lifting outstanding CRE bonds to €390bn. CMBS volumes stay concentrated in the UK, while the German Pfandbrief dominates with €400bn outstanding at yields below 3%
- Liquidity is increasing and supporting diversification strategies, but lenders continue to demand equity buffers and remain highly selective, focusing on asset quality, location, and ESG compliance, which deepens the polarization between resilient prime assets and weaker secondary stock

Evolution of margins and LTVs across Europe

		France	Germany	Iberia	Italy	Netherlands
Margins (bps)	Core	125-225	100-240	160-220	170-275	135-220
	Value-add	250-400	230-375	260-390	300-450	275-400
	Trend (qoq)	←	←	←	=	←
LTV (%)	Core	50-65	50-65	55-70	50-65	55-70
	Value-add	50-60	50-60	50-60	50-60	50-60
	Trend (qoq)	=	=	←	=	=

→ Increasing | ← Decreasing | = Unchanged

C H1-25 MILESTONE FINANCINGS

Asset: Shopping centres and retail parks (12 assets)
Location: Spain
Loan amount: €810m
Deal: Refinancing
Investors: Helios RE
Lenders: Morgan Stanley/ Banco Santander

Asset: Urban Logistics
Location: Paris & Lyon
Loan amount: €105m
Deal: Refinancing
Investors: QuadReal/Valor Real Estate Partners
Lenders: pbb Deutsche Pfandbriefbank

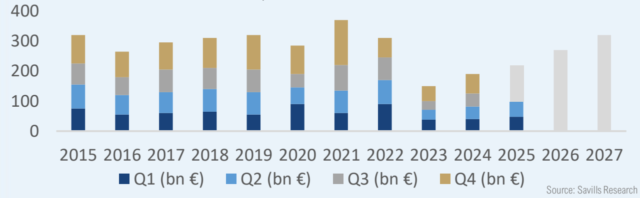
Asset: 2 Healthcare Assets
Location: Cecina & Castelfiorentino
Loan amount: €15.7m
Deal: Refinancing
Investors: Lifento
Lender: BPER Banca

Asset: Data Center
Location: Walldorf-Mörfelden (16km from Frankfurt)
Loan amount: €160
Deal: Acquisition Financing
Investors: Goodman
Lender: Aareal Bank

D INVESTMENTS

- **H1 2025:** ~€95bn invested in European real estate (11% YOY increase)
- **Q2 2025:** €50bn transacted (8% YOY increase) following a strong Q1 (+13% YoY), confirming cautious but steady recovery
- **Takeaways:** Prime yields held stable. Activity was driven by private/domestic capital, with institutional and cross-border flows (U.S., Middle East, Asia) returning
- **Sectors in focus (2024): Living** (€50bn, +27% YoY) led on housing undersupply, **Offices** (€43bn, +9%) recovered in prime CBDs, **Industrial & Logistics** (€42bn, +23%) despite higher vacancy, **Retail** (€39bn, +35%) rebounded via retail parks, while **Hotels** (€20bn, -1%) with RevPAR up 5%
- **Leading geographies (2024):** Italy (+80%) and CEE (+62%) led growth, followed by the Nordics (+28%), Spain (+24%), Netherlands (+18%), France (+17%), Germany (+12%), and the UK (+9%)

European RE investment volumes



Source: Savills Research

E COUNTRY OUTLOOK

France

- **H1 2025:** €6.8bn invested (+11% vs H1 2024) | TTM: €19.9bn (+17% YoY)
- Momentum supported by large deals such as Centre Trocadéro (€700m)
- Office market: Paris drive growth; suburban markets remain sluggish
- Retail: Prime shopping centers and grocery-anchored assets regain liquidity
- Private domestic investors dominate; institutional re-emerging selectively
- **Emerging trend:** Office-to-residential conversions gaining traction in central Paris

Germany

- **H1 2025:** €14.3bn | TTM: €34bn (+12% YoY)
- Refinancing challenges continue to weigh on liquidity
- Strong appetite for residential and logistics; offices remain polarised between prime CBDs and weaker stock
- Institutional investors cautiously returning, focused on core assets
- **Emerging trend:** Value-add repositioning strategies for obsolete prime offices in Berlin, Munich, and Frankfurt

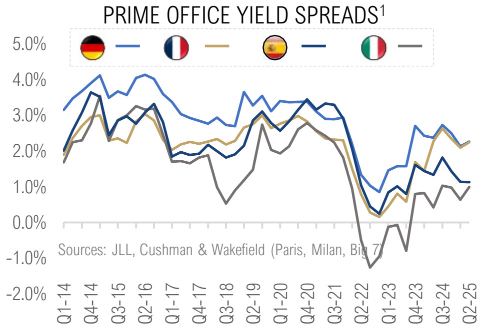
Italy

- **H1 2025:** €5.15bn | TTM: €13.5bn (+80% YoY) Strongest growth among European markets, driven by hospitality and retail
- Rome leads hospitality with 2025 Jubilee boosting demand
- Logistics remains resilient, focused on prime hubs and last-mile
- Data centre expansion accelerating despite limited supply / grid constraints
- **Emerging trend:** Mixed-use projects and ESG-certified developments attracting new capital

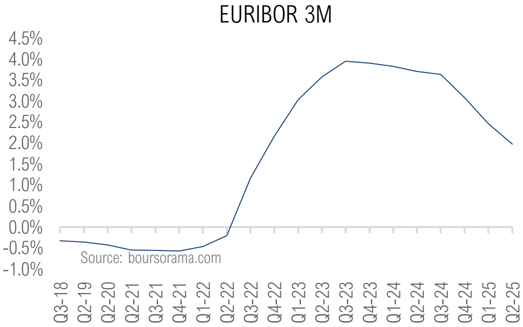
Spain

- **H1 2025:** €7.4bn | TTM: €15.4bn (+24% YoY)
- Hospitality (€2.9bn) and retail (€2.0bn) lead volumes; logistics and offices face slower transaction flow
- Prime yields tightened across retail and hospitality, boosting liquidity
- Domestic capital active alongside selective international inflows
- **Emerging trend:** Build-to-rent and alternative living formats expanding

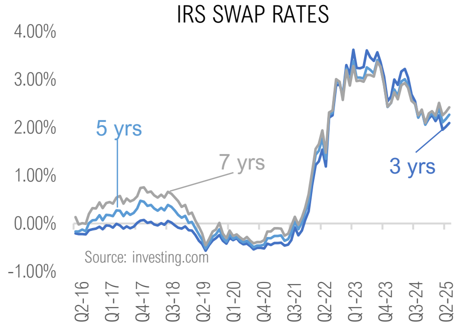
PRIME OFFICE YIELD SPREADS[1]



EURIBOR 3M



IRS SWAP RATES



 [1] Prime office yield spreads defined as prime office rental yields [minus] relevant 10-year government bond yield

Sources: Q2-25 CBRE European Real Estate Investment volumes, JLL Marketbeat quarterly reports, C&W quarterly reports, Southern Europe Investment RE, BNP REIM Review investing.com, boursorama.com