

REVIEW

CAPITAL MARKETS

EUROPE Q4 2024

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RESEARCH & INSIGHTS



**BNP PARIBAS
REAL ESTATE**

Real Estate for a changing world



Q4 2024

CAPITAL MARKETS EUROPE

€154.4bn were invested in commercial real estate over the year, establishing 2024 as the start of market recovery with a +18% annual increase. The ECB has made significant progress in returning eurozone inflation to the 2% target. This should allow the central bank to continue cutting interest rates until monetary policy reaches a neutral setting.

KEY FIGURES

€154.4 bn ▲ +18% y/y
Investment volume in 2024

€40.4bn ▲ +1% y/y
Office volume bottomed out in 2024

€39.3bn ▲ +17% y/y
Logistics transactions are accelerating

€33.7bn ▲ +23% y/y
Retail increasingly attractive to buyers

€20.5bn ▲ +70% y/y
Hotels were the year's favourite asset



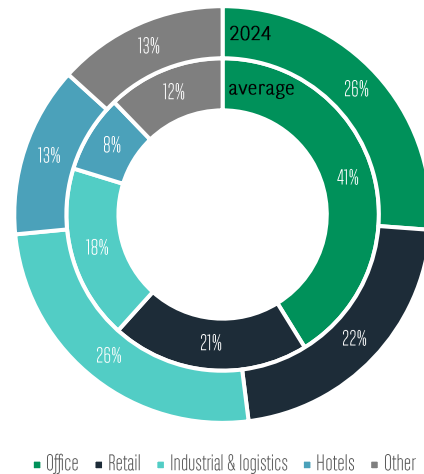
MARKET OVERVIEW

Office investment volume at €40.4 billion has eventually bottomed out. Logistics at €39.3 billion is the traditional asset recovering the fastest, with its market share comparable to offices at around 25%. It is yet to be seen whether this will be a pivotal moment for market allocations. Retail at €33.7 billion is bouncing back rapidly at +23% and may grow further over 2025. Hotels (€20.5bn) became the leading asset class by volume growth, expanding 70% y.o.y.

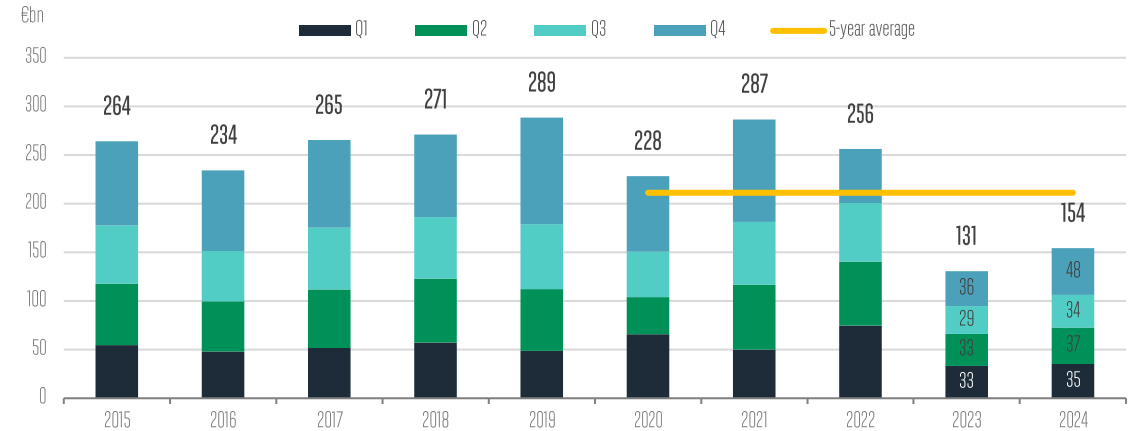
Foreign capital accelerated by 24% to €70 billion supported by resurgent American investment (+73% vs. 2023). European cross-border investment maintained the lead position at €30.3bn and grew by 19% compared to 2023.

Real estate is entering a new phase for pricing. Since Q4 2023 prime yields across all asset classes have remained constant. Sporadic compression signals from some markets are evident such as London and Paris at 4.00% (vs. 4.25% in Q3 2024).

Market share by asset type



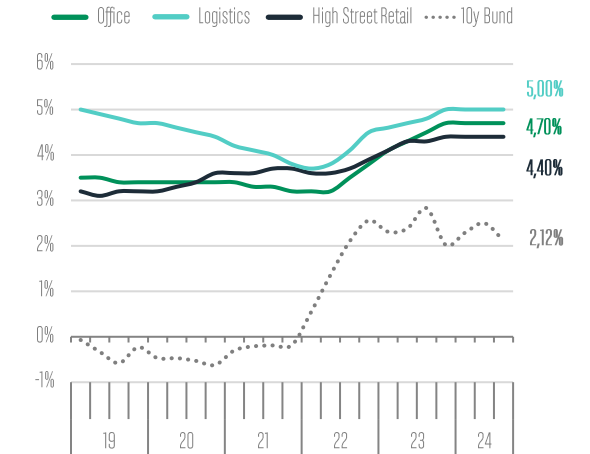
European CRE Investment volume



Capital flows

	2024	VS. 2023
Europe	€30.3bn	+19%
Americas	€25.2bn	+73%
Middle-East	€2.5bn	-9%
APAC	€3.6bn	-47%

Average prime yields



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KEY FIGURES

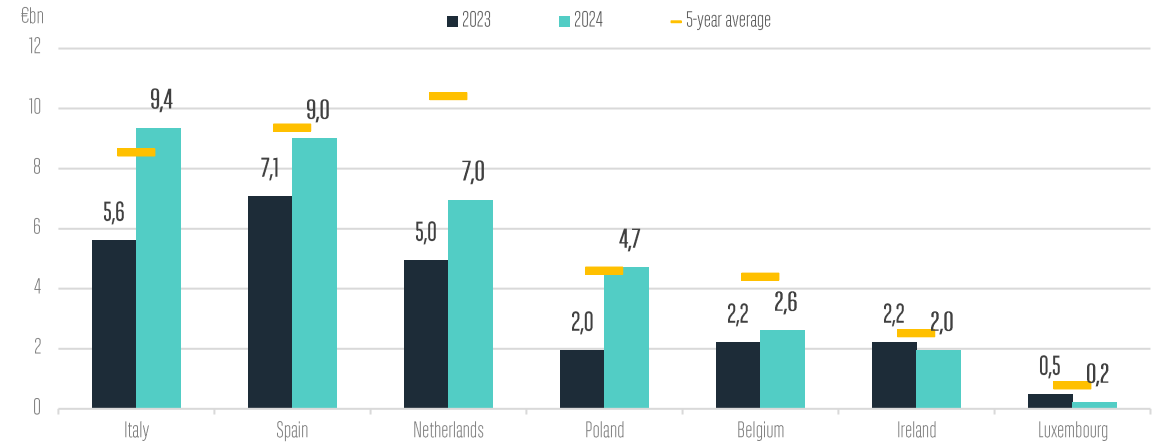
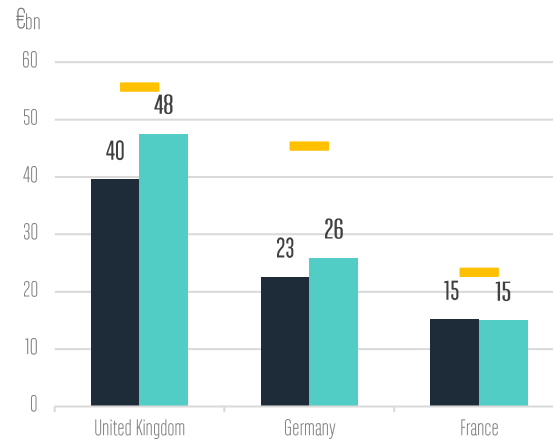
+67% vs. 2023
Investment volume
Italy

+40% vs. 2023
Investment volume
Netherlands

SIGNIFICANT DEALS

QUARTER	ASSET CLASS	LOCATION	PROPERTY	VOLUME
Q1	Logistics / Healthcare	United Kingdom	LondonMetric/LXI Reit Merger	€3.5bn
Q2	Office / Logistics	Belgium	Intervest Portfolio	€1.7bn
Q2	Logistics	United Kingdom	Tritax/UKCM Merger	€1.5bn
Q3	Retail	Italy	8 via Monte Napoleone, Milan	€1.3bn
Q2	Retail	Germany	KaDeWe Department store, Berlin	€1.0bn
Q2	Office	Belgium	EU Comission Portfolio, Brussels	€900m
Q1	Office / Retail	Germany	5 Höfe, Munich	€700m
Q4	Retail	Ireland	Blanchardstown shopping centre, Dublin	€575m
Q4	Logistics	France	Altarea Portfolio	€320m
Q1	Office	Luxembourg	Royal Park – Av. De la Porte-Neuve	€170m

CRE Investment volume per country



Core countries (UK, Germany and France) hold 57% of the market at €88.5bn. The United Kingdom volume grew by +20% vs. 2023 though remains 24% below the 10y average. UK asset classes that grew the fastest were Retail (+32%) and Hotels (+228%). Germany expanded by a similar percentage at +15%, with growth in both volume and in number of deals (+16%). Logistics assets occupied the top spot in the German market at around €7.0 billion, improving by +13% vs 2023. The asset class now takes 27% of all German investment. French investment market volumes stabilised at €15bn in comparison to 2023. This was mostly the result of greatly improved Q4 2024 performance at +22% higher than Q4 2023. Logistics gained momentum in France growing 62% over 2023. This was pushed up by two major deals sold by and Altarea (portfolio) and Amundi.

Italy witnessed significant market recovery to €9.4bn, representing a 67% y.o.y increase. The bulk of this increase is due to the retail market (+300% vs. 2023) having the highest annual volume in the post-pandemic period (€2.8bn). In the Netherlands, the 2024 market also grew strongly (+40 y.o.y) across all asset types. Offices are now growing (+11%) and logistics experienced an acceleration of +60% y.o.y.



Source: BNP Paribas Real Estate

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KEY FIGURES

4.70%
European average
prime office yields

+0bp y/y +0bp q/q

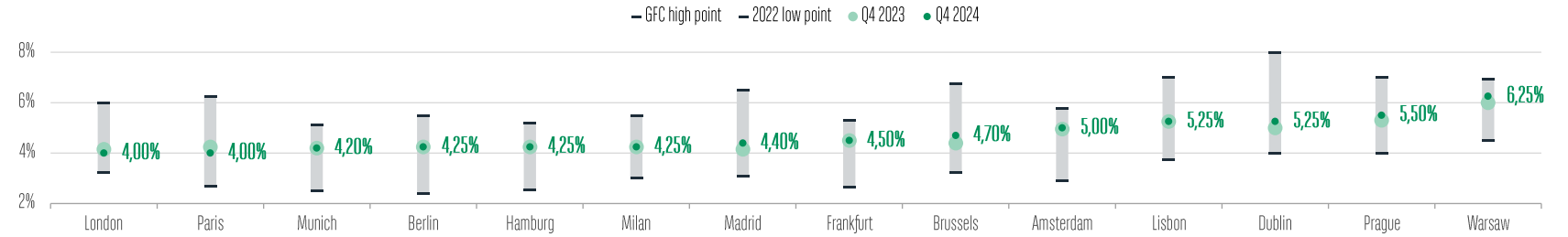
4.40%
European average
Prime high street retail yields

-10bp y/y -10bp q/q

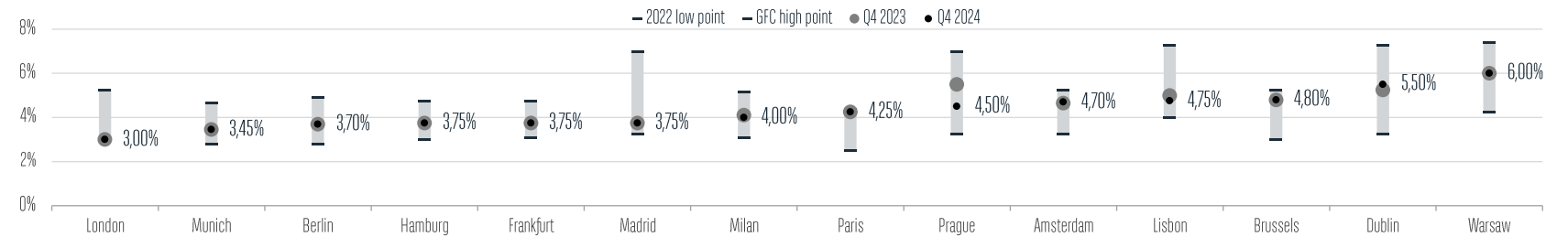
5.00%
European average
prime industrial & logistic yields

+0bp y/y +0bp q/q

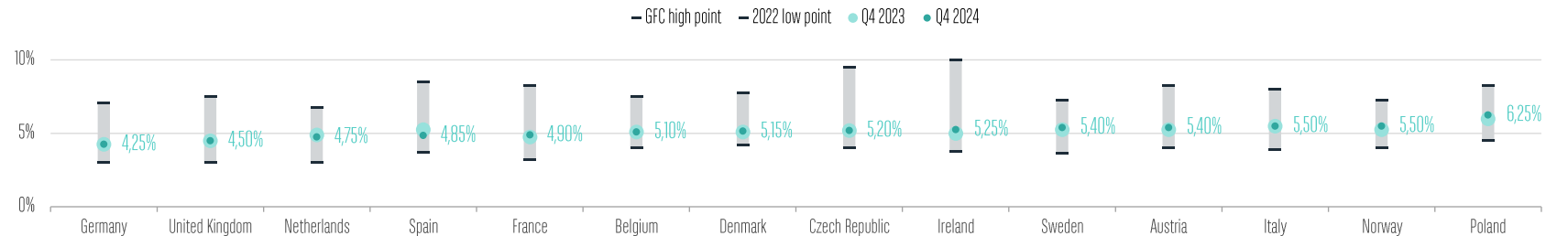
Prime office yields



Prime retail yields



Prime logistics yields



Source: BNP Paribas Real Estate

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BNP Paribas Real Estate is working on producing indicators which are as comparable as possible. This is a complex issue, due to cultural differences from market to market. Nevertheless, as we aim to actively contribute to the transparency of the markets, we have highlighted those definitions and indicators which are strictly comparable, so that our readers can understand what the indicators mean.

Exchange Rates into € are the average value observed over the quarter.

LETTINGS & SALES

Take-Up represents the total floor space known to have been let or pre-let, sold or pre-sold to tenants or owner-occupiers during the survey period.

It does not include space that is under offer

- A property is deemed to be “taken-up” only when contracts are signed or a binding agreement exists
- Pre-let refers to take-up that was either in the planning or construction stage
- All deals (including pre-lets) are recorded in the period in which they are signed
- Contract renewals are not included
- Sales and leasebacks are not included as there had been no change in occupation
- Quoted take-up volumes are not definitive and are consequently subject to change.

The breakdown of take-up by business sector is compatible with the European NACE code.

Vacant space represents the total floor space in existing properties, which are physically vacant, ready for occupation in the next three months (this period covers fit-out time) and being actively marketed at the survey date. Vacancy includes sublet space (except in Germany), but where possible, vacant sub-let space is recorded separately.

In France, vacancy excludes premises which the owner will renovate only once a lease is signed. Spain only counts immediately available space.

Vacancy Rate represents the total vacant floor space including sub-lettings divided by the total stock at the survey date.

Development Pipeline represents the total amount of floor space for all developments under construction and/or schemes (including major refurbishments) that have the potential to be built in the future through having a secured level of planning permission but remain unimplemented at the survey date. It includes all proposed new buildings, those constructed behind retained facades and buildings (or parts of buildings) undergoing a change of use to offices.

Completions represent the total amount of floor space that has reached practical completion and is occupied, ready for occupation or an occupancy permit where required has been issued during the survey period.

Under Construction represents the total amount of floor space in properties where construction has commenced on a new development or a major refurbishment (see separate definition) at the survey date. It includes properties for owner occupation, which are reported separately. It does not include sites being cleared for possible development in the future.

Property that is under construction but pre-let or for owner occupation is recorded separately where appropriate.

Major Refurbishments represents refurbishments, where building work must involve either structural alteration, and/or the substantial replacement of the main services and finishes. The quality of the floor space must have been substantially improved from its previous condition so as to offer accommodation of a modern standard – although not necessarily to the standard of a completely new building.

Prime Rent represents the top open-market rent at the survey date for an office unit:

- of standard size commensurate with demand in each location
- of the highest quality and specification
- in the best location in a market

Actual transactions are used in France, Germany and Belgium to support the headline prime rental quoted, but one-off deals, which do not represent the market, are disregarded. In the UK & Spain, if there are no prime

transactions during the survey period a hypothetical rent is quoted, based on expert opinion of market conditions.

Central Business District average rent is the average of each of the last four quarters' average headline rent in the CBD. Each quarterly average rent is weighted by the surface of each lease signed during the quarter, in either new or second-hand premises. The definition of CBD corresponds to local conventions.

Central London includes the following districts: West End, Midtown, City, Docklands, Southbank, Western Fringe and Northern Fringe.

Central Paris includes the following districts: CBD, Paris out of CBD, La Défense, Western Crescent and Inner Rim.

INVESTMENT

Investment volume takes into account all commercial properties BNP Paribas Real Estate is aware of, whose owner has changed during the studied period, whatever the purchasing price. It includes **Office buildings, Retail** (supermarkets, hypermarkets), **Industrial and Logistics Warehousing** and Others (Hotels, Cinema, Leisure, Car Parks, Care Homes, parts of portfolio which can not be split up by product, and Development Sites in Germany). Quoted investment volumes are not definitive and are consequently subject to change.

Full-year investment volumes are made up by adding the four quarters of each year.

Initial Prime Gross Yield is defined as Gross income (i.e. income before costs of ownership) over purchase price excluding costs of acquisition.

Initial Prime Net Yield is defined as Net income (or NOI) over purchase price plus all other costs of acquisition.

Investment volume by investor/seller type refers to the following categories: Insurance, Private Investors, Public Sector, Corporates, Property Companies & REITS, Consortium, Funds and Other.

Investment volume by investor/seller nationality refers to the following categories: Eurozone, Non-Eurozone, North America, Other America, Asia, Middle East, Australia, International and Other.



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