MACROECONOMIC OUTLOOK

- Eurozone growth remains weak but stable, with GDP at 0.8% in 2024, driven by consumer spending. Germany and France underperformed, while Poland (3.4%) and Spain (2.6%) outpaced the average
- Inflation nears 2%, enabling ECB rate cuts. The deposit rate ended H2 at 3%, with up to 100 bps of cuts expected throughout 2025. Core inflation remains high due to labor costs but is easing
- Geopolitical and trade risks weigh on sentiment, with Trump's tariff threats on EU exports, conflicts in Ukraine/Middle East, and political instability in Germany and France dampening confidence
- Labor shortages sustain demand but constrain growth, keeping wages and core inflation elevated. Businesses struggle to expand amid hiring difficulties, especially in services
- Market sentiment remains fragile, with slower Chinese demand and US policy uncertainty impacting exports. Public spending could provide upside, but risks persist from weak industrial production and trade disruptions

FINANCING MARKETS

- Falling inflation and weaker business indicators led to rate cuts, improving financing conditions. Real estate debt sentiment hit its highest since 2021, signaling renewed investor confidence
- Financing remains challenging, with €175bn in maturing debt and 27.5% of 2019-2022 loans still hard to refinance. Margins declined slightly, but sustainability is uncertain. Asset class differentiation remains strong, and financing is highly selective
- Non-bank lenders are expanding, offering higher LTVs and driving a 25 bps drop in core lending margins since late 2023. However, financing sentiment remains cautious, with new business still restricted, a shift towards smaller ticket sizes, and increased risk aversion
- Lending activity surged, with ~€15bn in loans in H2 2024, nearly doubling YoY. ESG rules and risk provisions still constrain financing for non-compliant assets
- With further rate cuts expected in 2025, financing will ease. Sustainability-linked loans continue to grow, while logistics and residential dominate capital flows. Selective office and retail opportunities emerge post-repricing

Evolution of margins and LTVs across Europe

		France	Germany	Iberia	Italy	Netherlands
Margins (bps)	Core	125-225	115-250	160-220	180-275	135-220
	Value-add	250-400	240-375	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

H2-24 MILESTONE FINANCINGS

Asset: Logistics portfolio (7 assets, 309,000 sqm)
Location: France & Germany
Loan amount: €170m (+ €130m uncommitted funds)
Deal: Refinancing (Green)
Investors: Boreal IM/Ontario
Lenders: Aareal Bank

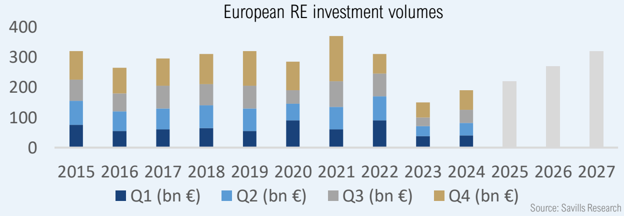
Asset: Outlet center
Location: France (Grand Est)
Loan amount: €73m
Deal: Refinancing
Investors: Neptune JV (Neinver / Nuveen RE)
Lenders: Crédit Agricole CIB, LCL

Asset: 2 luxury hotels (278 rooms & suites)
Location: Roma & Florence
Loan amount: €157.5m
Deal: Refinancing
Investors: Castello SGR (Star II)
Lender: Aareal Bank

Asset: 519-room flex-living tower (22,000 sqm)
Location: Madrid
Loan amount: €73m
Deal: Contruction loan
Investors: Metrovacesa & Vita Group
Lender: Cain International

INVESTMENTS

- **H2 2024:** ~€95bn invested in European real estate (~€190bn full-year, +18% YoY)
- **Q4 2024:** €65bn transacted (+28% vs Q4 2023), signaling improved investor confidence
- **Takeaways:** Stabilized prime yields boosted deal flow | Cross-border capital surged with U.S. and institutional investors returning | Private equity activity surged with focus on logistics and alternatives
- **Sectors in focus (2024): Living** (~€46bn, +29% YoY) became the top asset class, followed by **Offices** (~€42.2bn, +11%), **Industrial & Logistics** (~€40.5bn, +21%) and **Hotels** (~€19.5bn, +34%) surged with tourism, while **Retail** (~€33.9bn, +26%) rebounded after price corrections
- **Leading geographies (2024):** UK (+23%) and Germany (+21%) led, with strong rebounds in Italy (+47%), Netherlands (+36%), and Sweden (+58%)



COUNTRY OUTLOOK

France

- **H2 2024:** €6.7bn invested (+18% vs H1 2024) | 2024: €12.3bn total
- Logistics led investments (+30%), driven by demand in Lyon and Marseille
- Office market: Paris shows moderate growth; suburban areas remain slow
- Retail: Stabilization observed, but persistent divergence in yields
- Yield pressure remains high due to bond competition and rate volatility
- **Emerging trend:** Green-certified logistics hubs attract ESG investors

Germany

- **H2 2024:** €18.3bn invested (+16% vs H1 2024) | 2024: €35.3bn(+21% YoY)
- Transactions picked up with prime yields steady since mid-2024
- Refinancing challenges persist due to stricter lending standards
- Strong appetite for residential and logistics; office market lags
- Institutional investors returning cautiously, focusing on core assets
- **Emerging trend:** Flexible office spaces rise in cities like Leipzig & Stuttgart

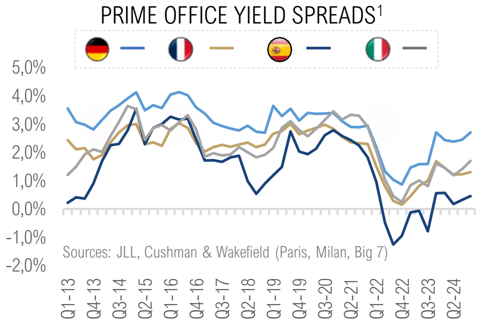
Italy

- **H2 2024:** €6.5bn invested, 2024: €9.9bn (+55% YoY)
- Retail & Hospitality drive growth, supported by lower interest rates
- Logistics remains strong, focusing on prime hubs and last-mile assets
- Rome leads hospitality, boosted by the 2025 Jubilee and leisure demand
- Data Centers expand, driven by tech demand despite market immaturity
- Prime offices & ESG projects offer stable returns amid low vacancies
- **Emerging trend:** Mixed-use developments gain investor interest

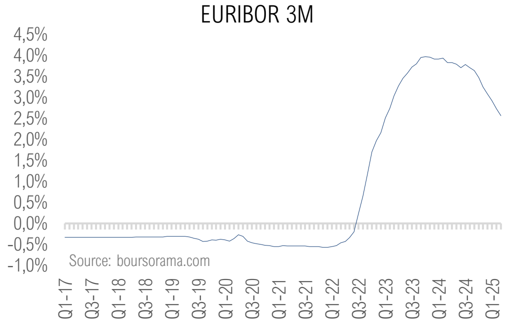
Spain

- **H2 2024:** €6.2bn invested (+13% vs H1 2024) | 2024: €9.6bn (+17% YoY)
- Prime yields compressed across sectors; retail saw +30 bps tightening
- Madrid and Barcelona dominate, accounting for 60% of total volume
- Hospitality (€2.9bn) and retail (€2.0bn) drive investment in Spain, while logistics and office struggle despite strong fundamentals
- **Emerging trend:** Significant growth in build-to-rent projects

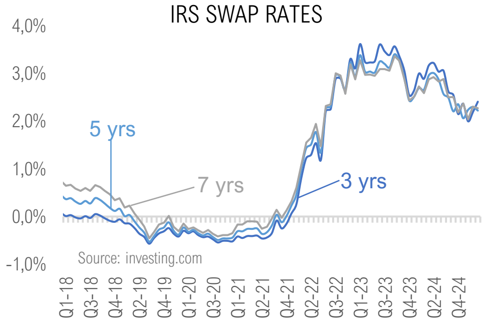
PRIME OFFICE YIELD SPREADS[1]



EURIBOR 3M



IRS SWAP RATES



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Sources: Q4-24 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