

BNP PARIBAS REIM SHARES KEY TRENDS FOR REAL ESTATE INVESTMENT IN 2025

BNP Paribas Real Estate Investment Management (BNP Paribas REIM) presents its Lighthouse Report for H1 2025, an outlook for the European real estate market using its in-house forecasts, analysis, and the expertise of its local teams. In this tenth edition, BNP Paribas REIM defines its convictions and provides the investment strategies to adopt considering the expected macroeconomic and financial environment for 2025.

The real estate market is gaining momentum in Europe as interest rates decrease

Real estate is looking attractive to investors following its repricing, particularly for multi-asset investors looking to rebalance their portfolios. Investor interest is wide ranging, and even niche sectors – such as data centers, hospitality and healthcare – are often at the top of investors' buying lists. Of the main sectors, logistics is currently top in terms of investment volumes, which should continue into 2025 as one of the best performing sectors over the next five years.

There is growing optimism around the outlook for real estate markets. Inflation has slowed and central banks have begun to lower key interest rates. This decrease, paired with a reduction of borrowing costs, the return of liquidity and the stabilisation of prime real estate yields strengthens the investors' confidence in the market.

However, the real estate market recovery is still fragile and institutional investors are taking time to return to the market. The occupational market and the future pipeline will be crucial to determine how and when sectors will rebound and there are still some risks that could delay higher liquidity and stronger returns. Yet as prices are now stabilising and liquidity is slowly returning, windows of opportunity are opening for investors seeking appealing returns, especially when focusing on the megatrends that drive demand.

“The main role of real estate is to provide diversification in a multi-asset portfolio. Real estate is attractive but investors' approaches are shifting. Passive strategies merely collecting rent for an income return are less appealing, investors are now interested in value-add and will consider a wide range of real estate sectors and investment opportunities that form a good risk-return mix” comments **Laurent Ternisien, Deputy Head for BNP Paribas REIM.**

4 key trends for real estate investment in 2025

1. Which real estate markets offer the best value?

Risk is increasingly being priced back in, leading to wider differences in yields between property types, countries and even within markets. Living and prime office markets look solid investments for core investors that are comfortable with relatively low yields. For others, it is reasonable to allocate to higher-yielding markets with strong fundamentals, such as leisure or healthcare.

2. Real estate is a wide-ranging asset class

Its main role for investors is to provide diversification in a multi-asset portfolio. However, investors' approaches are shifting as their choices become more diverse. Indeed, allocations to other alternative asset classes, such as infrastructure and private debt, have increased significantly. Passive real estate strategies merely collecting rent for an income return are less appealing, while interest is growing in niche



property sectors to add value or identify opportunities that combine real estate features with those of other alternative asset classes, such as infrastructure or private equity.

3. Value-add investment has long-term potential

Value-add investment has often benefited from periods of distressed sales and timing market recoveries. But in this cycle, good rental value growth, thanks to strong occupier markets, highlights the potential to add value over the longer term by improving the quality of buildings. Improving energy efficiency and creating a social impact will also gain in importance.

4. Office markets: looking beyond prime

Prime office market fundamentals are solid, but the broader office market is under stress. Vacancy rates in many non-central, office-led submarkets have increased recently. The supply side will adapt, not only through fewer new developments but also by improving the current office stock or converting some of it to other uses. The drag of high vacancy on rents is set to last for some time but may offer opportunities for some office locations to transform into mixed-use neighborhoods, with increased retail and leisure amenities that are currently sought after by occupiers.

[Click here](#) to download our research document: **The Lighthouse BNP Paribas REIM.**

About BNP Paribas REIM

With BNP Paribas REIM, you invest in REAL ESTATE AS LIVING ASSETS.

BNP Paribas REIM, a business line of BNP Paribas Real Estate, provides a wide range of real estate funds and investment solutions for investors, based on strong convictions.

Deeply European, we have a close understanding of local markets, a view of every square metre, every street, every neighbourhood, every urban eco-system.

With our 340 employees, we care for assets as we care for living beings, aiming to build a better living environment for our 250+ institutional investors and 140,000+ private investors.

We believe in ESG to reconcile social, environmental and financial performance.

We apply innovation in order to better adapt to the risks and opportunities of today and tomorrow.

At the end of 2023, BNP Paribas REIM managed €26.1 billion of living European assets on behalf of institutional and private investors.

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