

# BNP PARIBAS REIM CONFIRMS THE RESILIENCE OF THE REAL ESTATE SECTOR WITH ITS NEW LIGHTHOUSE REPORT

**BNP Paribas Real Estate Investment Management (BNP Paribas REIM) presents its Lighthouse Report for H2 2025, an outlook for the European real estate market using its in-house forecasts, analysis, and the expertise of its local teams. In this new edition, BNP Paribas REIM defines its convictions and provides the investment strategies for the rest of the year.**

## The real estate market enters a recovery cycle based on income growth

Since the start of 2025, real estate markets across Europe have been impacted by renewed volatility due to growing protectionist pressures and increased geopolitical unpredictability, making investors more cautious despite the European Central Bank's rate cuts.

However, real estate continues to offer resilience as the long-term fundamentals remain compelling and continue to support a positive view. In the Q1 2025, European real estate investment volumes reached €45bn showing a 6% increase compared to last year. This growth was supported by the office, retail and residential sectors while logistics and hotels showed signs of losing momentum. The residential sector notably stood out accounting for around €9bn and 20% of total investment volumes.

In this recovery context, income growth will become central for investors. Performance will be increasingly driven by income growth, with rental fundamentals emerging as the main source of value creation. Non-traditional sectors should continue gaining shares, but core sectors will likely continue to attract the majority of investment volumes. Investors will need to focus on sectors where demand is resilient and supply is constrained, particularly in residential, prime offices and logistics.

*"Even though there is still some uncertainty and investors are being cautious, confidence in the resilience of European real estate is strong. The market has entered a recovery cycle with most of the repricing done, an improvement of rental fundamentals and the rise of new opportunities. As usual, selectivity will be key for investors to manage strong performance. They will have to rely on asset quality and location, operational expertise and alignment with long-term trends"* comments **Laurent Ternisien, Deputy Global Head for BNP Paribas REIM.**

## 6 key investments trends in 2025

### 1. Europe's growth continues despite uncertainty in the US

The beginning of the year saw US tariffs cause significant impact on the global economy, leading to trade policy uncertainty which may persist. Despite this, economic growth in Europe started strong in 2025. Lower inflation rates allowed for policy rate reductions, with the European Central Bank (ECB) cutting rates more than the Bank of England due to lower inflation in the Euro Area. Inflation should return to its 2% target in most Euro Area countries by end-2025. However, the headline Consumer Price Index (CPI) rate in the UK could remain sticky for a longer period.

### 2. Residential's fundamentals remain strong

Residential remains the strongest sector for rental growth, while logistics faced downward revisions due to trade uncertainty. Capital value growth should return, although forecast yield declines are modest. Occupiers are increasingly focused on quality, sustainability, and location, driving a clear bifurcation between top-tier and secondary assets. Investors should focus on sectors with resilient demand and constrained supply.



### 3. Resilience to business cycles protects performance in downturns

Crisis periods have frequently affected property markets over the last 25 years. The most resilient sectors during those downturns were healthcare, residential, and logistics. The office market has struggled, indicating vulnerability to economic downturns, particularly in locations with high vacancy rates. Looking forward, sectors like healthcare, driven by demographic changes and fundamental needs, show promise in decoupling from economic cycles, emphasizing the importance of long-term leases and societal benefits for a resilient real estate portfolio.

### 4. Real estate can offer investors diversification

Long-term investment strategies can help navigate cycles of volatility with balanced allocations adapting to changing market conditions. Despite ongoing global disruptions such as US tariffs, Brexit, and the Ukraine-Russia War, private equity real estate investments have proven resilient, with European real estate showing average returns of 5.5% year-on-year over the last decade. Diversification across sectors like industrial, residential, healthcare, and hospitality is essential, and can help portfolios remain robust against unforeseen events.

### 5. Europe can be a relative winner from US uncertainty

Europe has gained popularity among investors compared to the US in recent months, against a backdrop of US policy uncertainty and a weakening US dollar. Europe has led the real estate recovery with positive returns for the last five quarters, while consistently outperforming the US and Asia-Pacific. Long term, the European Union has proposed a 12-point plan aimed at enhancing the region's competitiveness through advanced technologies, environmental initiatives, and increased security.

### 6. Operational platforms can be a new entry point for investors

Investors can focus on two key asset types: location-driven assets, which offer long-term stability and appreciation in prime urban areas, and operator-driven assets, which rely on the expertise of operators to enhance value in sectors like healthcare and logistics. A balanced approach, combining both asset types, can provide a resilient portfolio by leveraging the stability of location-driven investments and the growth potential of operator-driven assets.

#### 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 290 employees, we care for assets as we care for living beings, aiming to build a better living environment for our 230+ 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 2024, BNP Paribas REIM managed €23.7 billion of living European assets on behalf of institutional and private investors.

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Each of the legal entities responsible for offering products or services to their customers is referred to in the product documentation, contracts and related information.

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