Market Insights on European non-listed real estate in June 2025

Cautious sentiment at mid-year, albeit stable returns

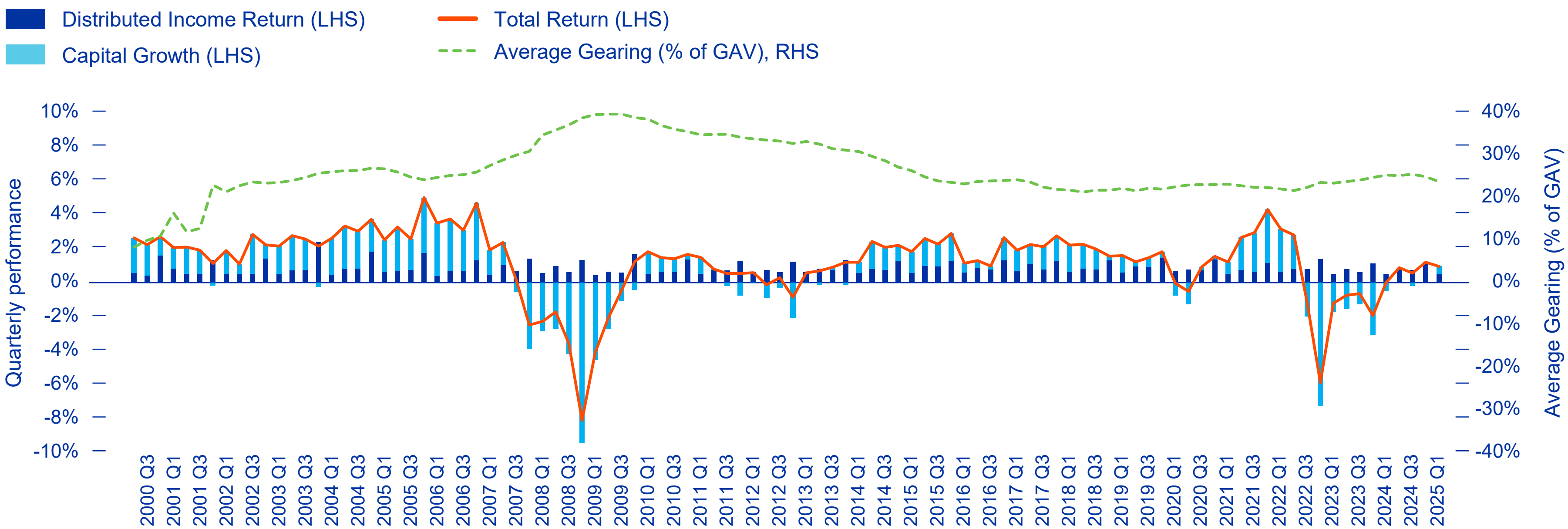
The latest edition of the INREV Market Insights reflects a mixed picture for European real estate. Market performance remains positive, while the general sentiment is more cautious, according to the [June Consensus Indicator](), with a headline result falling for the second consecutive quarter to 52.2. The current economic and geopolitical developments not only in Europe but globally continue to weigh on investment sentiment.

The Q1 2025 INREV Quarterly Fund Index posted a total return of 1.04%, down from 1.33% a quarter earlier. Capital growth increased to 0.56% (+43 bps q-on-q), its strongest result since Q2 2022. The one year rolling capital growth turned timidly positive (0.58%). Distributed income return decreased by 72 bps to 0.48%, down from 1.20% in Q4. This is expected, given that the Q4 results are influenced by the seasonal practice of distributing income at the year-end by many funds.

At the sector level, residential focused funds outperformed while office specialists were in the negative again. Industrial logistics and retail focused funds delivered positive returns once more, albeit somewhat lower relative to Q4 2024.

Geographically, Dutch focused funds continued to outperform, driven by the strong returns of the residential single sector specialist funds. They were followed by UK funds, which delivered a fifth consecutive quarter of positive returns and German funds, which returned to positive territory after two quarters of negative performance.

Figure 1: European non-listed real estate performance



Source: INREV Quarterly Fund Index, Q1 2025

The industrial/logistics sector props up returns across main markets

The INREV European Quarterly Asset Level Index returned 1.72% in Q1 2025. The one-year rolling return stood at 6.46%, significantly above the three-year rolling return of -1.04%. Capital growth reached 0.67% for the quarter. All the main geographies of the Index (see Figure 2), delivered considerably stronger returns in Q1 2025 than in Q1 2024, even turning positive for France and Germany.

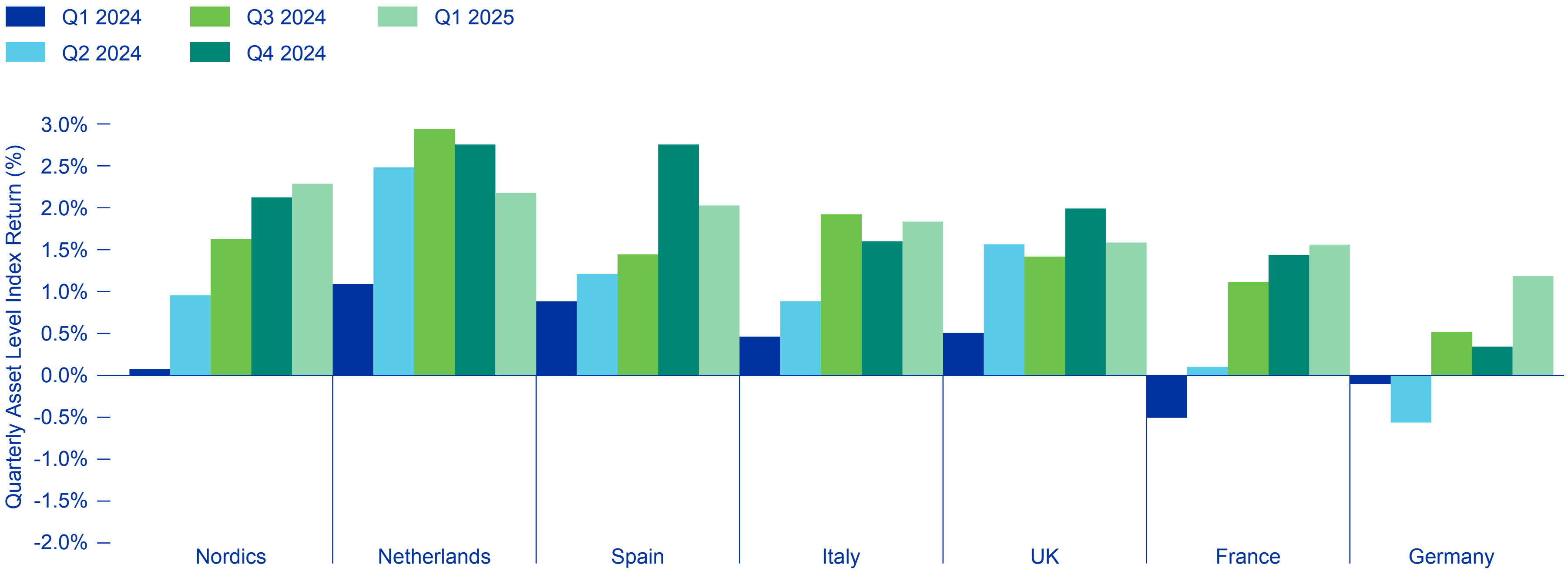
With a total return of 2.30%, the Nordics region, covering Sweden, Norway, Finland, and Denmark, led the results this quarter. Among the four core markets, however, the Netherlands recorded the strongest performance at 2.19%, propped up by a 2.66% return from its residential portfolio. Spain and Italy also delivered robust returns, aligning with strong sentiment towards Southern Europe (see Figure 9).

The UK reported 1.59%, supported by strong performance of retail and industrial/logistics assets, with 2.68% and 1.83%, respectively.

France recorded a total return of 1.57%, also driven by industrial/logistics assets at 1.83%. This is a fifth consecutive quarter of improvement for France and a fourth consecutive quarter in positive territory.

Germany remained in positive territory with a total return of 1.19%, largely supported by the strong 2.09% industrial/logistics' performance. This highlights the renewed confidence in the German market, as it received the most positive shift in sentiment among Consensus Indicator surveyed participants this June (see p. 7). Notably, German offices returned to positive ground at 1.03%, underpinned by moderate capital growth of 0.28%.

Figure 2: European real estate asset performance by country



Source: INREV Quarterly Asset Level Index, Q1 2025

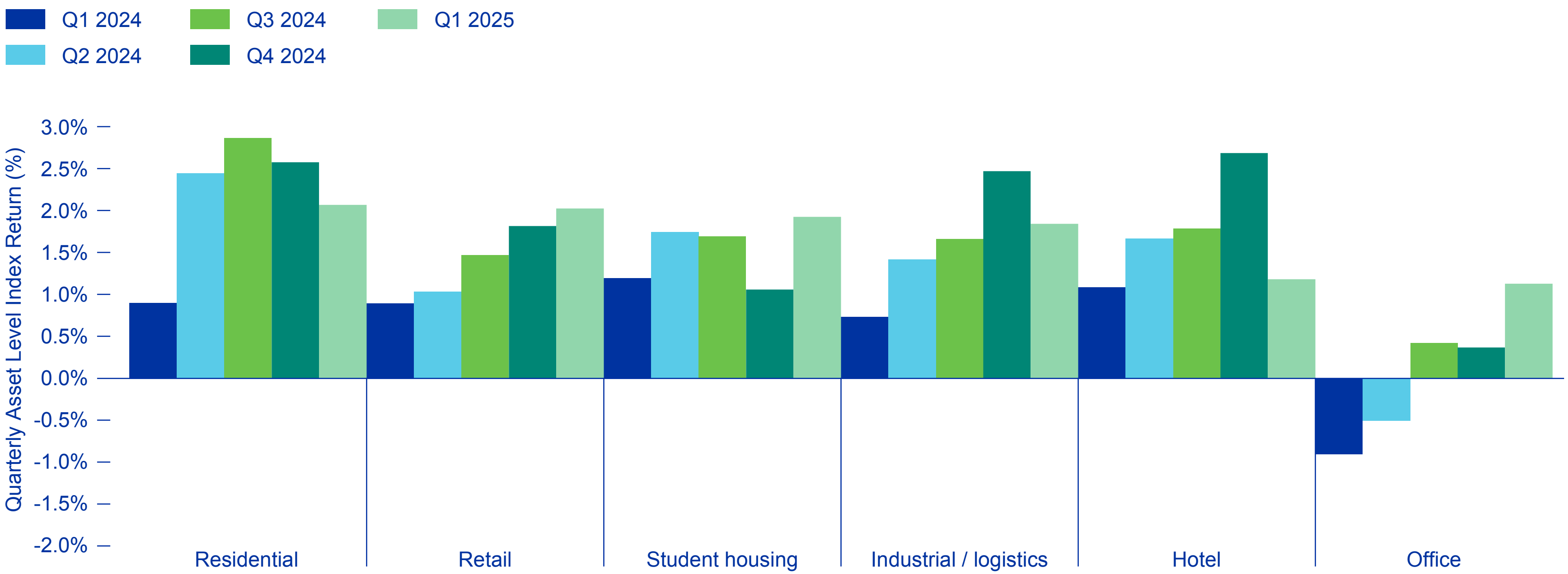
Positive quarterly returns across main sectors, office rebounds

As of Q1 2025, European asset level performance across all main sectors shows a significant year-on-year uptick (see Figure 3). This includes a notable improvement for offices which returned 1.11%.

Residential and retail remain in the top spots, but student housing and industrial/logistics follow very closely, delivering quarterly returns of above 1.80%.

Notably, student housing pierced through the top three best performing sectors this quarter. In the major university cities in Europe, the persistent demand from domestic and international students offers high occupancy and predictable cash flows, which contribute to the attractiveness of this sector.

Figure 3: European real estate asset performance by sector



Source: INREV Quarterly Asset Level Index, Q1 2025

Industrial/logistics assets boost city level returns

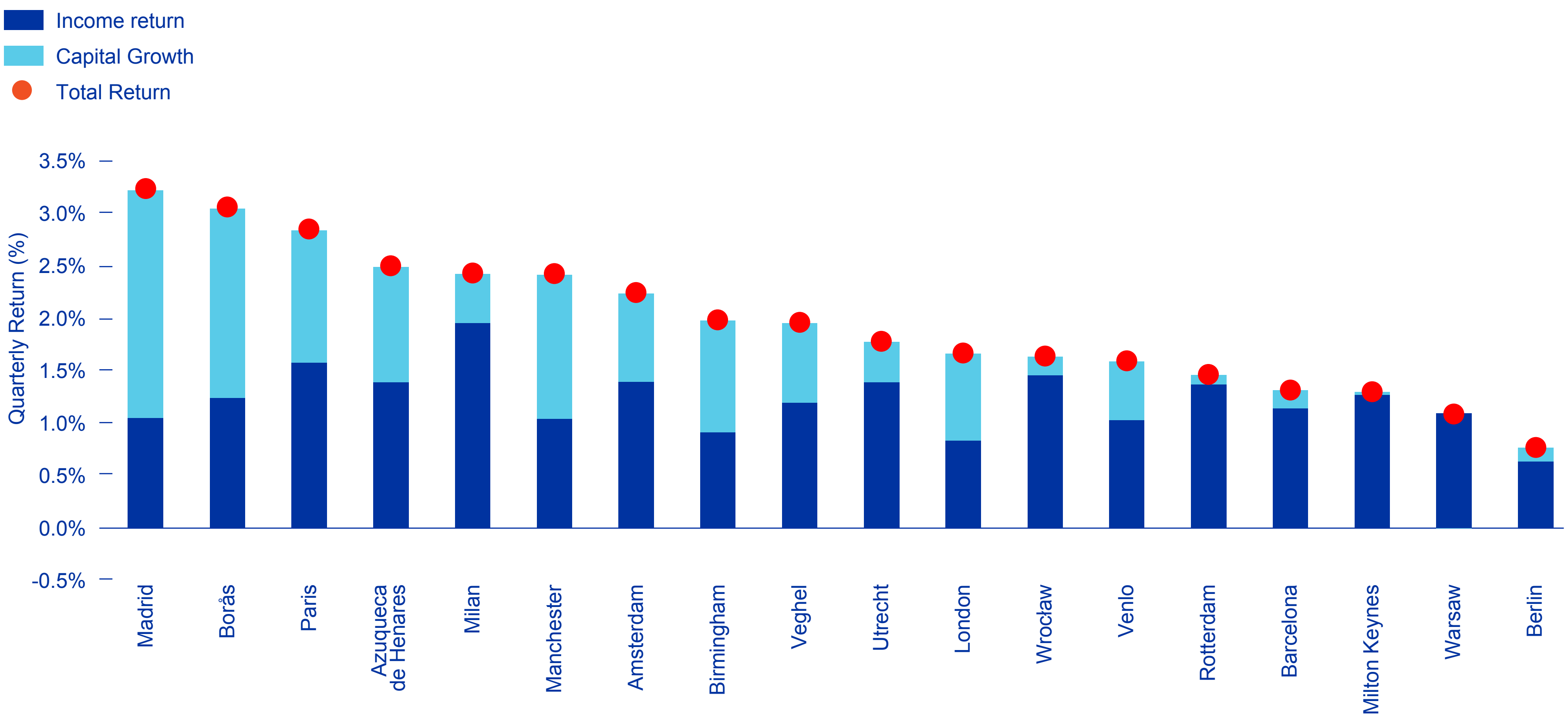
As seen earlier, the European industrial/ logistics boosted the Q1 2025 performance across many European geographies. While there were variations across markets, returns were positive across the board.

There are notable differences in terms of drivers of the latest industrial/logistics returns, with some markets, many of which are in Southern Europe standing out as the best performing on an asset level, with notable capital growth. Strong economic growth and positive migration expectations point to higher future demand there.

Major hubs such as Paris and Manchester, for example, also reported strong capital growth.

The contrast between prime and secondary locations is also visible, with the latter generally reporting less or no capital growth.

Figure 4: Q1 2025 European industrial/logistics performance by city



Source: INREV Quarterly Asset Level Index, Q1 2025

INREV Consensus Indicator declines once more, albeit remaining above 50

The June INREV Consensus Indicator recorded a second consecutive decline, with the headline reading of 52.2, down from 56.7 in March. Although the indicator remains above the neutral threshold of 50, the moderation reflects falling investment liquidity, continued bifurcation in occupier markets, and a cautious economic outlook.

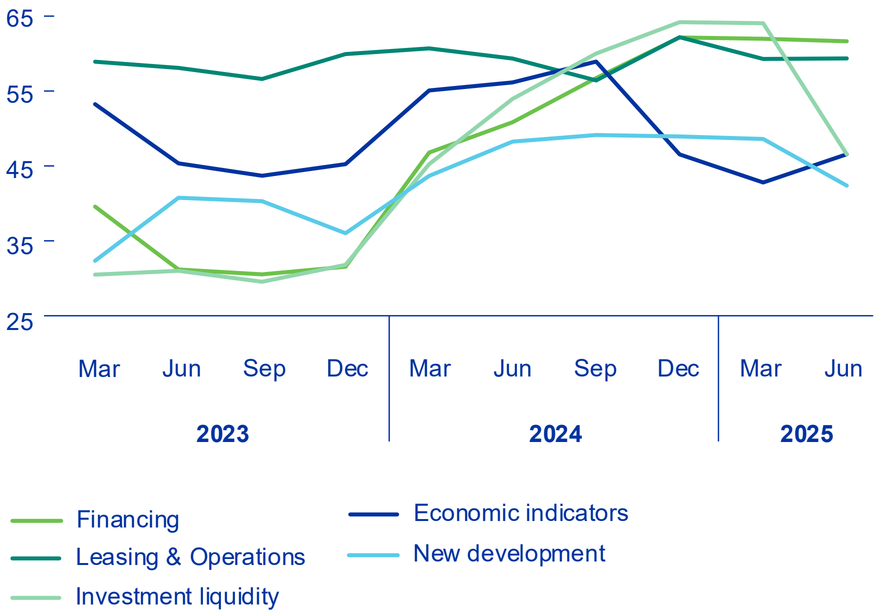
Of the five subindicators, three registered a decline this quarter, while only the economic (47.4) and leasing and operations (58.9) subindicators demonstrated either improvement or relative stability. The economic subindicator exhibited the most significant quarter-on-quarter increase, rising from 44.0 in March. Nevertheless, it remains below the neutral threshold of 50, signifying a continued contraction in sentiment. The leasing and operations subindicator, which was among the few to exceed the 60 mark in December, experienced a modest decline, primarily attributable to a reduction in the total amount of leased space within respondents' portfolios.

Investment liquidity subindicator saw the most pronounced decline, falling from 63.2 in March to 47.4 in June. This marks the first time it slid back into contraction territory since March 2024. This reflects a significant shift in sentiment, with 53% of respondents expressing concern over liquidity in European real estate for the upcoming quarter.

Financing emerged as the strongest subindicator for the first time since we started to track the market consensus in March 2023, with a reading of 61.0. This marks its third consecutive quarter at above 60. This relatively strong reading is underpinned by increased confidence in lending availability, with no respondents anticipating stricter terms around loan-to-value ratios or covenant requirements.

Figure 5: INREV Consensus Indicator

Figure 6 : INREV Consensus subindicators

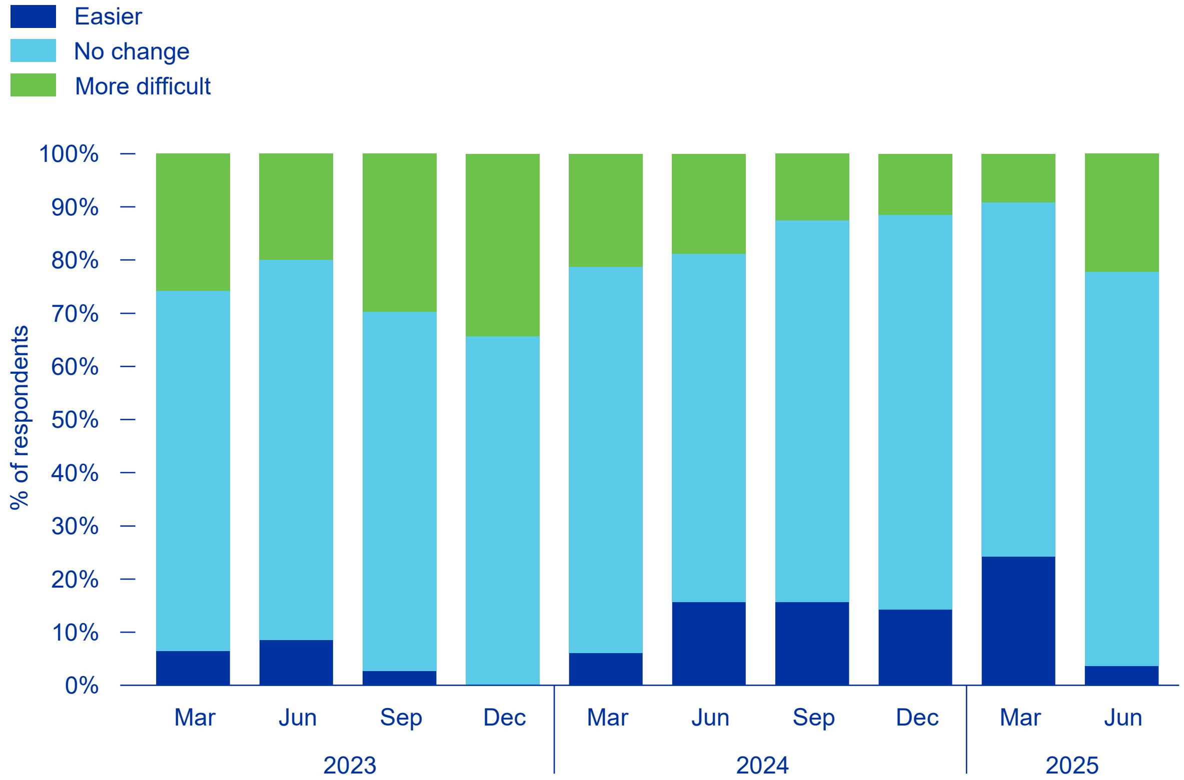


Source: INREV Consensus Indicator, 2025

The new development subindicator, which had dwindled just below the neutral 50 threshold in recent quarters, declined further to 43.6 in June. The continued decline in new development is largely attributed to increased challenges in securing pre-leases or pre-sales, as reported by 22% of respondents (see Figure 7). This adds to an array of persistent challenges such as land availability and high construction costs.

With both investment liquidity and economic subindicators also falling below 50, this marks the first time since March 2024 that a total of three subindicators point to contraction. This highlights growing uncertainty surrounding the trajectory of market recovery.

Figure 7: Ability to pre-lease/pre-sell assets under development



Source: INREV Consensus Indicator Survey, June 2025

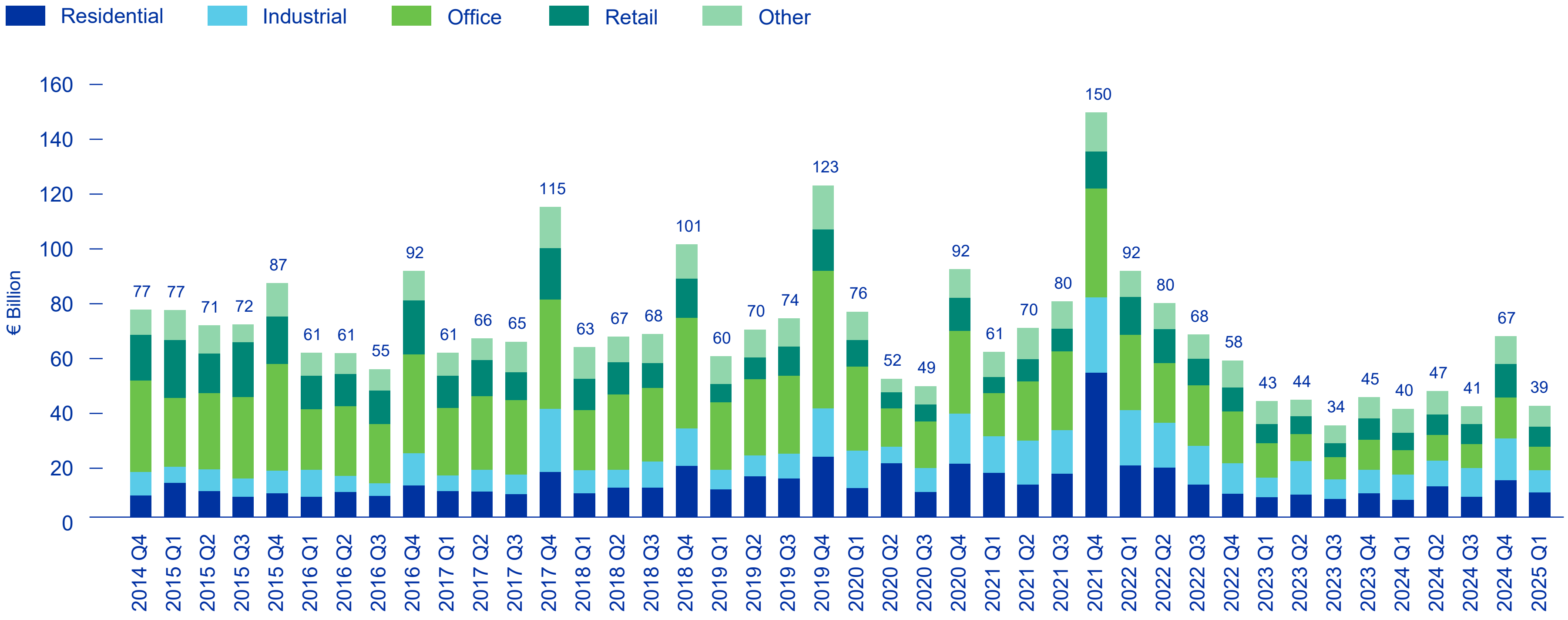
Transaction volume at the lowest point

European transaction volumes decreased to €38.9 billion in Q1 2025, down from €67.3 billion in Q4 2024. While the typical quarter-on-quarter decrease from Q4 to Q1 is anticipated, Q1 2025 stands out in the 10-year span as the lowest volume recorded in the first quarter.

Sentiment indicators are painting a negative picture. The latest Consensus Indicator results show the investment liquidity subindicator dropping dramatically from 63.2 in March 2025 to 47.4 this June. This subindicator has been the highest amongst the five for three quarters in a row, marking a sudden sharp below 50 threshold fall for the first time since March 2024.

This is another mix message, in contrast to a positive shift in capital deployment reported in 2024 according to [INREV's Fund Manager Survey], especially given that Europe is at the forefront of the global correction cycle, followed by North America and then Asia Pacific. While the mid-term outlook is undoubtedly more positive, the European direct real estate investment market is set for a quiet summer.

Figure 8: European direct real estate transaction volumes by sector



Source: MSCI Real Assets, June 2025

Germany gains sudden positive sentiment, while Spain holds its strength

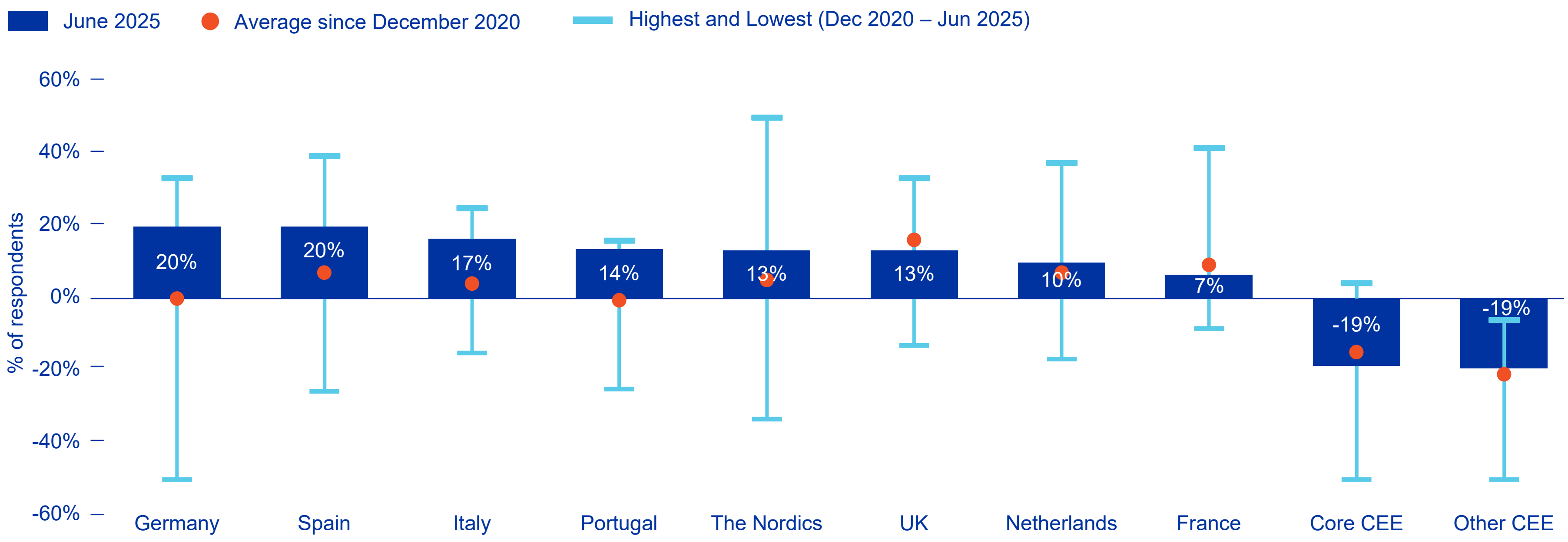
The June results reveal a marked positive shift in sentiment towards Germany, with a net 20% share of participants indicating their intention to increase German investments, up from just 3% in March. This is the strongest reading for Germany since December 2021 and stands out compared to recent weak sentiment.

Germany's net positive sentiment signals renewed investor confidence in Europe's largest economy. The first half of the year marked a change. The formation of a new coalition government, alongside the appointment of a new Chancellor, the suspension of the 'debt brake', and a notable spending boost for defence and infrastructure contributed to the more optimistic outlook.

Spain once again remains in the top place with an equal share to Germany, followed by Italy and Portugal, all displaying high net positive sentiment. Since 2024, southern European markets have maintained positive momentum, significantly exceeding their long-term averages, as their economies are outperforming.

The Nordics and the UK reported a moderate net positive sentiment of 13%, followed by the Netherlands at 10%. France remains at the lower end of the spectrum at 7%, although this reflects an improvement from 3% in March 2025. Core CEE and Fringe CEE remain in deep negative, with net sentiment of -19% in both cases.

Figure 9: Net sentiment towards European real estate by geography



Source: INREV Consensus Indicator Survey, June 2025

Living sectors' sentiment at the top

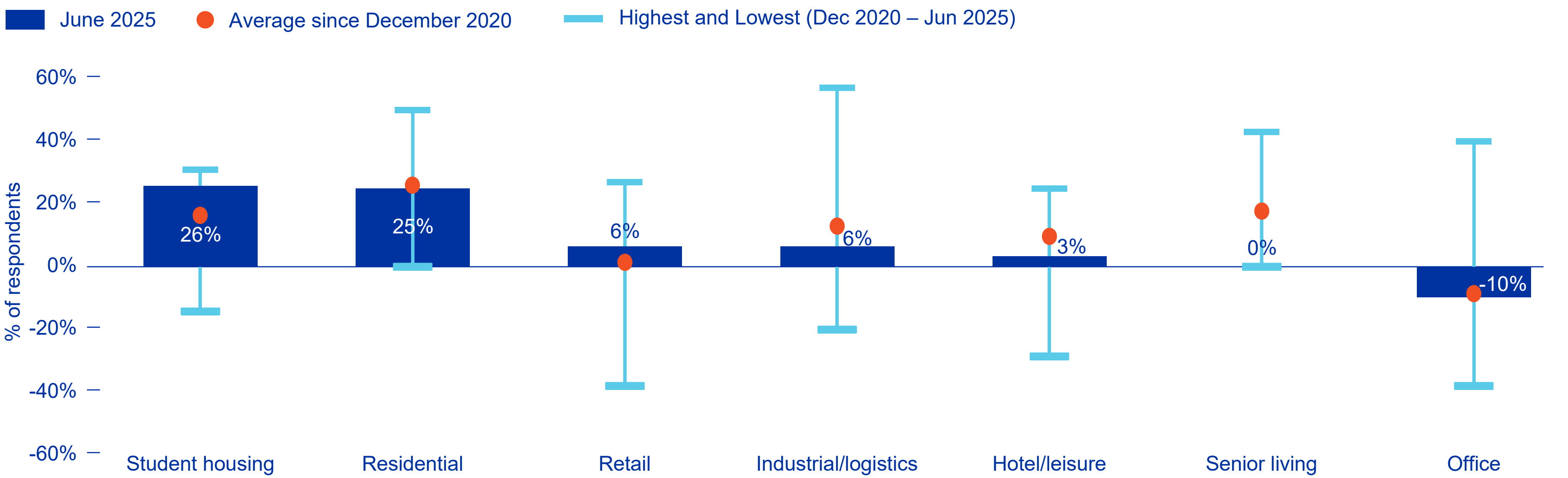
As of June 2025, sentiment towards the living sectors remains strongly positive. Student housing emerged as the most preferred segment, capturing 26% net interest, an increase of 14% since March. As seen in the [INREV Investment Intentions 2025](), student housing rose to the top three preferred sectors among investors for the first time in the history of the survey. Halfway through the year, this sentiment is still at the fore. The sector shares many of the same tailwinds as residential, positioning the sector among the top three best-performing segments.

Residential follows closely, with 25% of participants indicating plans to increase their allocation, broadly in line with its long-term average of 26%. Senior living, however, saw a decline this quarter, falling to 0% from 13% in March. The divergence between the senior living and student housing results, both alternative living sectors, may reflect differences in national preferences and policies but also highlights the growing maturity and institutionalisation of the student housing sector. Unlike student housing, which benefits from established platforms, clearer operating models, the senior living sector remains relatively fragmented and underdeveloped at a pan-European scale, limiting investor confidence for now.

Retail sentiment also declined to a net positive 6%, dropping 16% quarter-on-quarter. The peak in sentiment for retail may have passed, but the latest results from the INREV Asset Level Index highlight continued solid performance for retail assets: total return reached 1.99%, the highest since Q1 2022, driven by positive capital growth of 0.55%. This marks the third consecutive quarter of capital appreciation for the sector.

Industrial/logistics remained in favourable territory, with 6% of participants indicating an intention to increase their allocations. However, sentiment towards the sector has softened for the third consecutive quarter. Lastly, office was the only sector to return to negative sentiment, declining from 0% in March to -10% in June 2025, aligning with its long-term average of -9%.

Figure 10: Net sentiment towards European real estate by geography



Source: INREV Consensus Indicator Survey, June 2025

Lack of consensus around performance and risk sentiment

As of June 2025, performance expectations for European non-listed real estate decreased for the first time since March 2024. On a net basis, 6% of respondents indicated an anticipation of a decline. However, to what extent it will come through and which segments of the market are likely to be affected remains to be seen.

Investment risks are on the rise for a third consecutive quarter. Just over a third of respondents indicate an increase in risks this quarter compared to the first quarter of the year. In June 2025, only 6% of respondents indicated a decrease in risk. Meanwhile, the share of respondents indicating no change grew to 53.1% from 33.3% in March 2025, translating to a lack of consensus.

Figure 11: View on European real estate performance

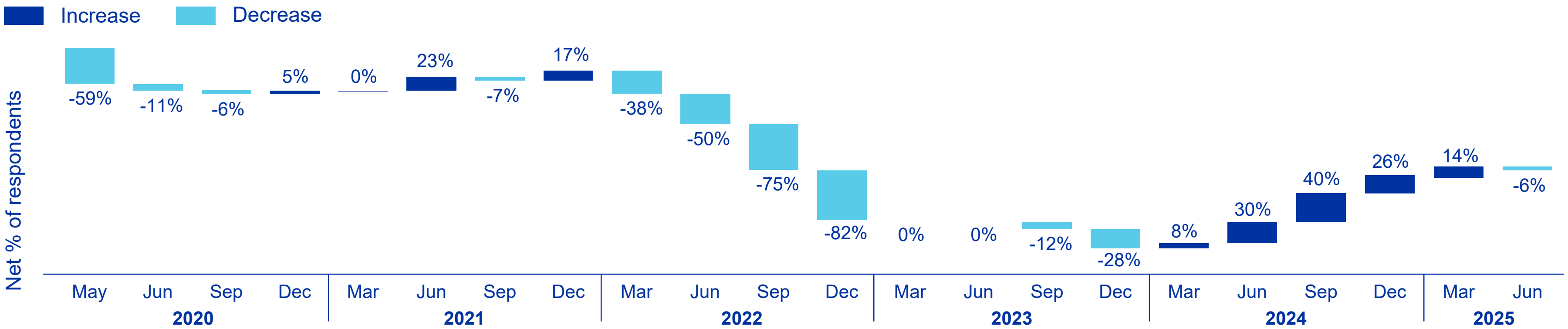
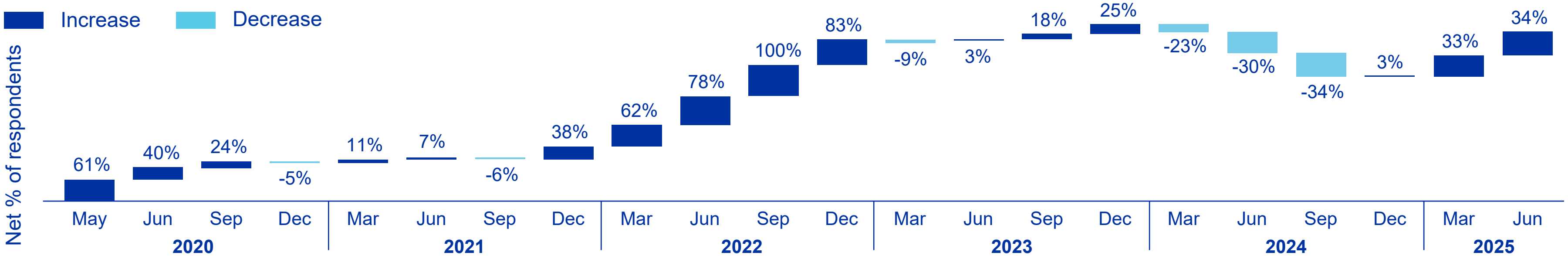


Figure 12: Assessment of investment risk for European real estate



Source: INREV Consensus Indicator Survey, 2025

This update highlights the latest results from the INREV European Quarterly Asset Level Index Q1 2025, INREV Quarterly Fund Index Q1 2025 and INREV Consensus Indicator June 2025 to illustrate the impact on market performance, investment plans and operations.