

# The Investment Market

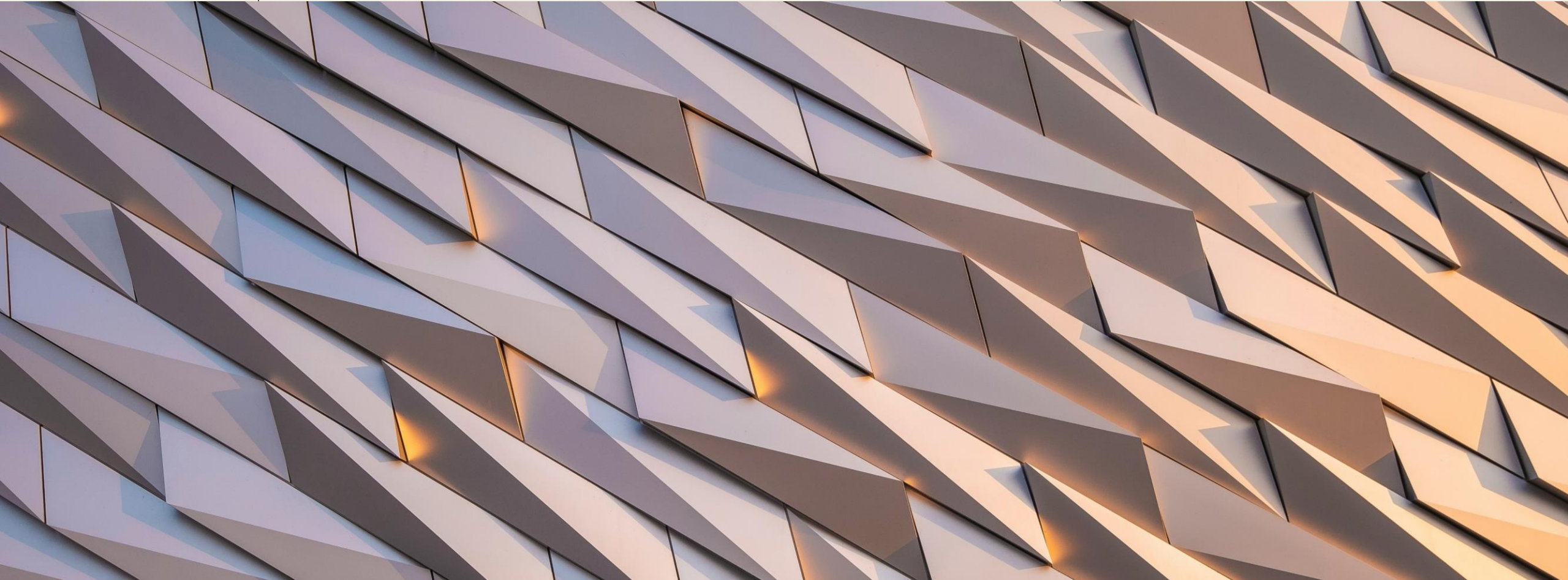
## *France*

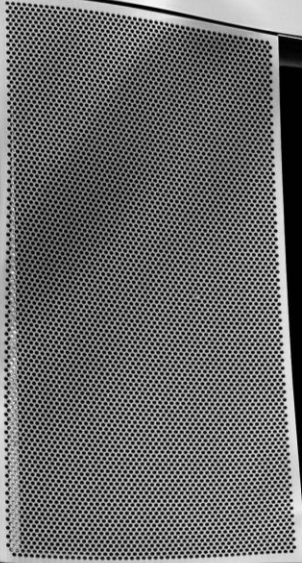


Q3 2024

The Investment Market

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# Economic Indicators

<i>In % of annual change</i>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024 (forecasts)</b>	<b>2025 (forecasts)</b>	<b>2026 (forecasts)</b>
<b>GDP France</b>	1.9%	- 7.7%	6.4%	2.6%	1.1%	1.1%	1.2%	1.5%
<b>GDP Eurozone</b>	1.3%	- 6.5%	5.3%	3.6%	0.6%	0.9%	1.4%	1.60%
<b>Consumer spending</b>	1.8%	- 6.8%	5.2%	3.0%	0.9%	0.6%	1.3%	1.4%
<b>Unemployment rate</b>	8.5%	8.0%	7.9%	7.3%	7.3%	7.4%	7.6%	7.5%
<b>Net job creation ('000)</b>	338	- 199	802	708	321	113	- 13	107
<b>Inflation</b>	1.3%	0.5%	2.1%	5.9%	5.7%	2.5%	1.5%	1.7%
<b>Business environment</b>	105.7	92.1	109.0	103.5	100.1	98 (September)	-	-
<b>Business investment</b>	3.5%	- 8.0 %	11.8%	1.6%	2.5%	- 0.7%	1.2%	2.3%
<b>Company insolvencies ('000)</b>	51.5	31.1	27.6	41.3	56.6	40.9 (August)	-	-
<b>Public debt (% of GDP)</b>	- 3.1%	- 9.0%	- 6.5%	- 4.8%	- 5.5%	- 6.1%	- 5.0%	-
<b>Exports</b>	1.6%	- 17. %	8.6%	8.4%	2.5%	1.9%	2.7%	3.4%
<b>Imports</b>	2.3 %	- 13.0 %	7.8 %	9.1 %	0.7 %	- 1.7 %	2.6 %	3.3 %

# Key Figures

	Q3 2024	Q3 2023	Annual Change
Volumes invested in France	€7.5 bn	€9.1 bn	↓
Number of transactions	402	559	↓
Number of transactions > €100M	20	13	↑
Share of transactions > €100M*	45%	31%	↑
Portfolio share*	32%	12%	↑
Share of volumes invested in the Greater Paris Region*	47%	59%	↓
Share of foreign investors*	40%	24%	↑
Share of offices*	35%	57%	↓
Share of retail*	30%	25%	↑
Share of industrial*	35%	18%	↑
Prime office yield	4,25% - 4,50%	4,00%	↑
Prime retail yield	4,25% - 4,75%	4,00%	↑
Prime logistics yield	4,75% - 5,00%	4,50%	↑

\*Percentage of total volume invested in France, all asset types combined

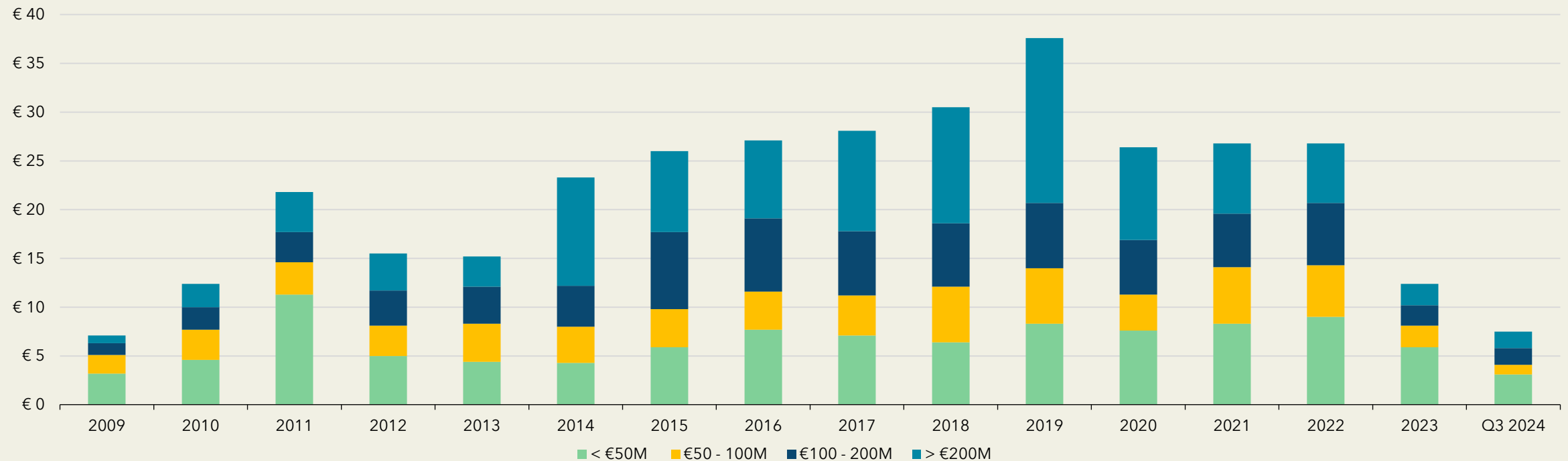
# Closer than ever to recovery

The 2024 financial year will go down as one of the weakest in terms of volumes invested in commercial property in France, with just over €7.5 billion invested in the first nine months of the year, and a landing at the end of the financial year that should nevertheless exceed the €10 billion mark. Between the organisation of the Olympic Games and the absence of a government, which paralysed many sectors of the economy, the third quarter was marked by particular circumstances.

However, there are signs that we are on the cusp of a new market cycle: volumes should gradually recover, while the number of properties withdrawn from the market, although still relatively high, are falling sharply. These figures give us hope that the market will pick up again in the coming quarters. However, this recovery will be different from before, in particular due to the more fragmented nature of the upturn across market sectors and asset types.

## Change in volumes invested in France, by amount category

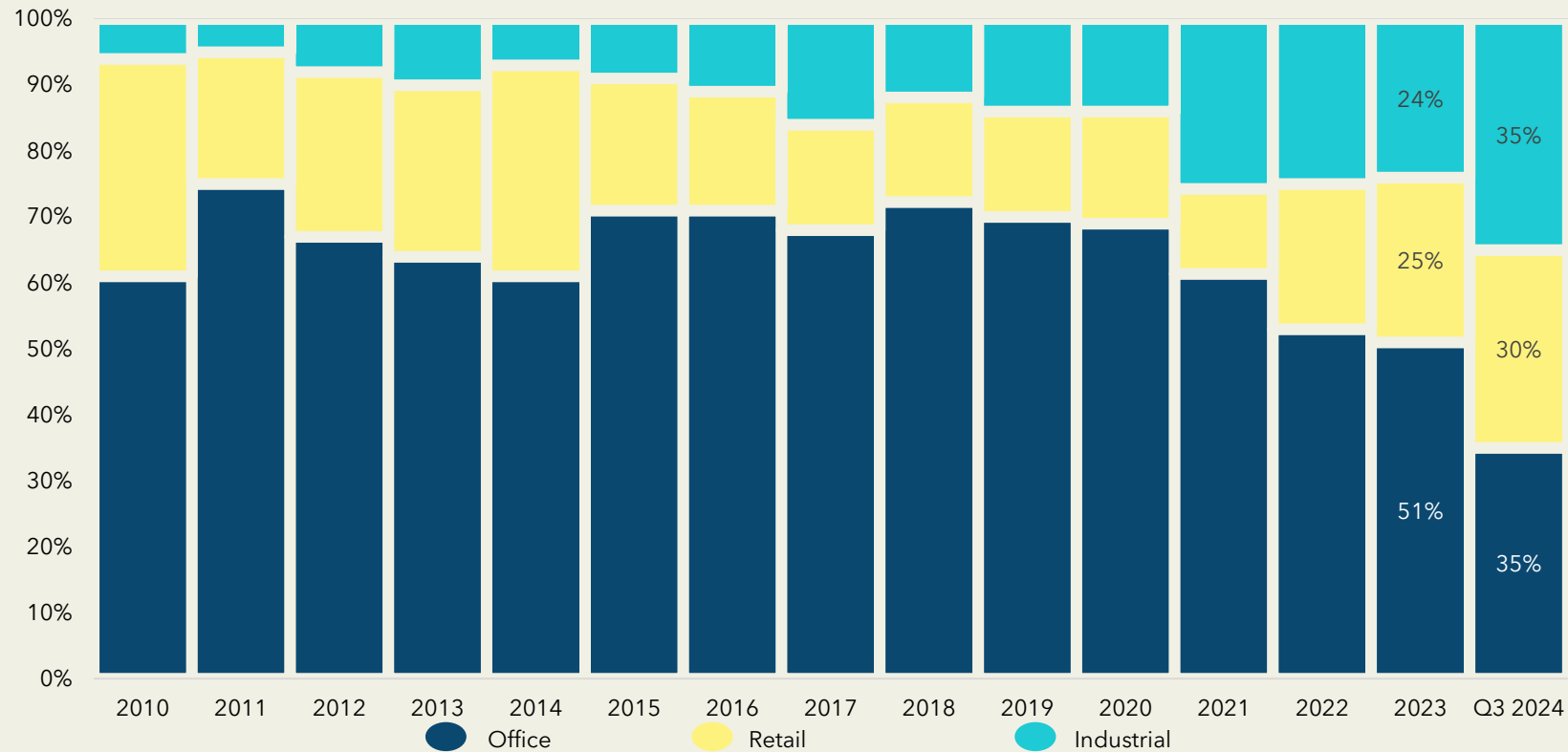
All asset types considered (office, retail, industrial)



# Unprecedented consistency

## Distribution of volumes invested by asset type

In France as a % of total volumes



As the property market enters a new cycle, investors continue to diversify their portfolios in line with changes in lifestyles, economic sectors and demographic trends.

The breakdown of amounts invested in commercial property in France since the start of the year is relatively balanced. Offices and industrial properties each took 35% of the market, while retail properties confirmed their return to the spotlight, with 30% of commitments.

# Foreign investors return

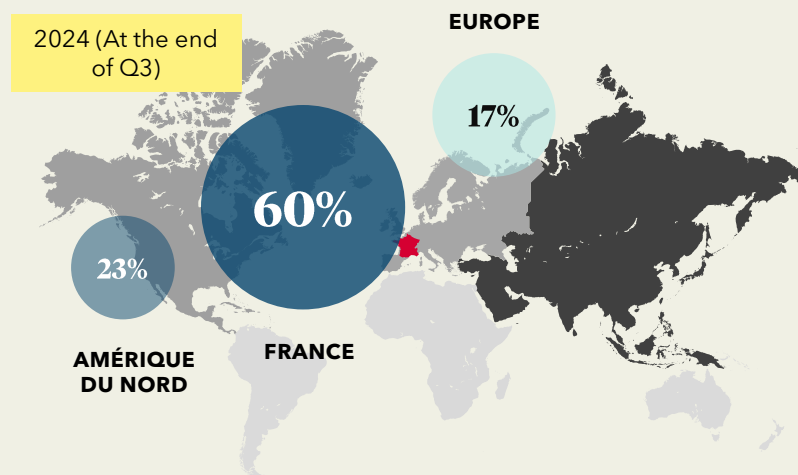
Amongst a complicated and uncertain international context, equally on the financial and geopolitical level, the share of foreign investors fell to its lowest level in history in 2023.

**The first nine months of 2024 suggest that non-domestic investors feel more inclined to project themselves back into the French property market.** This represents 40% of the amounts invested, more than the average over the last 10 years (37%).

This dynamic is particularly notable concerning the acquisition of logistics warehouses. Moreover, aren't hesitant in diversifying their investment, since nearly a billion euros of deals were sealed for Parisian hotel establishments.

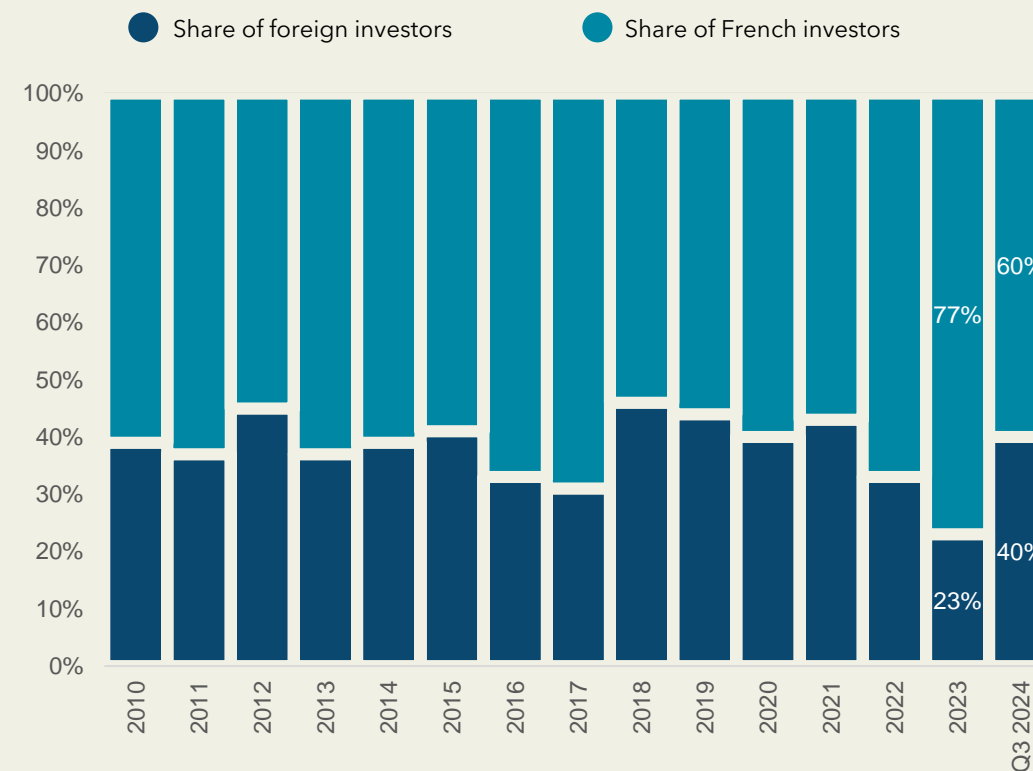
## The Investment Market France

### Division of volumes invested by geographic region All asset types, in France, as a % of total volume



## The Investment Market France

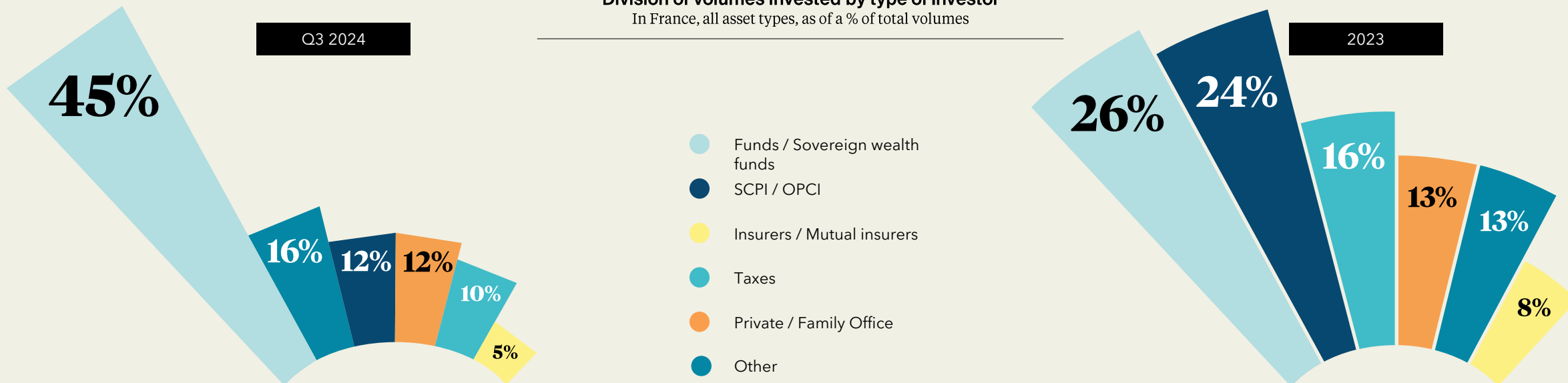
### Division of volumes by French and foreign investors All asset types, in France, as a % of total volume



# Funds, the only leaders

## Division of volumes invested by type of investor

In France, all asset types, as a % of total volumes



The market shares of the different categories of investors reflect the trends observed in the distribution of volumes invested by asset class, as well as the financial realities specific to each of these actors.

The funds, which are very active in acquiring large portfolios of industrial property, are taking the lion's share. One example is Blackstone's acquisition of 80% of a pan-European portfolio sold by Burstone Group, whose French assets are estimated at €200 million.

Public SCPI and OPCI remain relatively discreet, their collection being small, with less than 70 transactions recorded since the start of the year, with only three exceeding 50 million euros. Sofidy's acquisition, during the summer, of a

shopping centre in Riom for over €60 million was also the flagship transaction of the quarter for property management companies.

Banks and insurance companies are also keeping a relatively low profile in the standard property investment market, concentrating mainly on projects in regional areas.

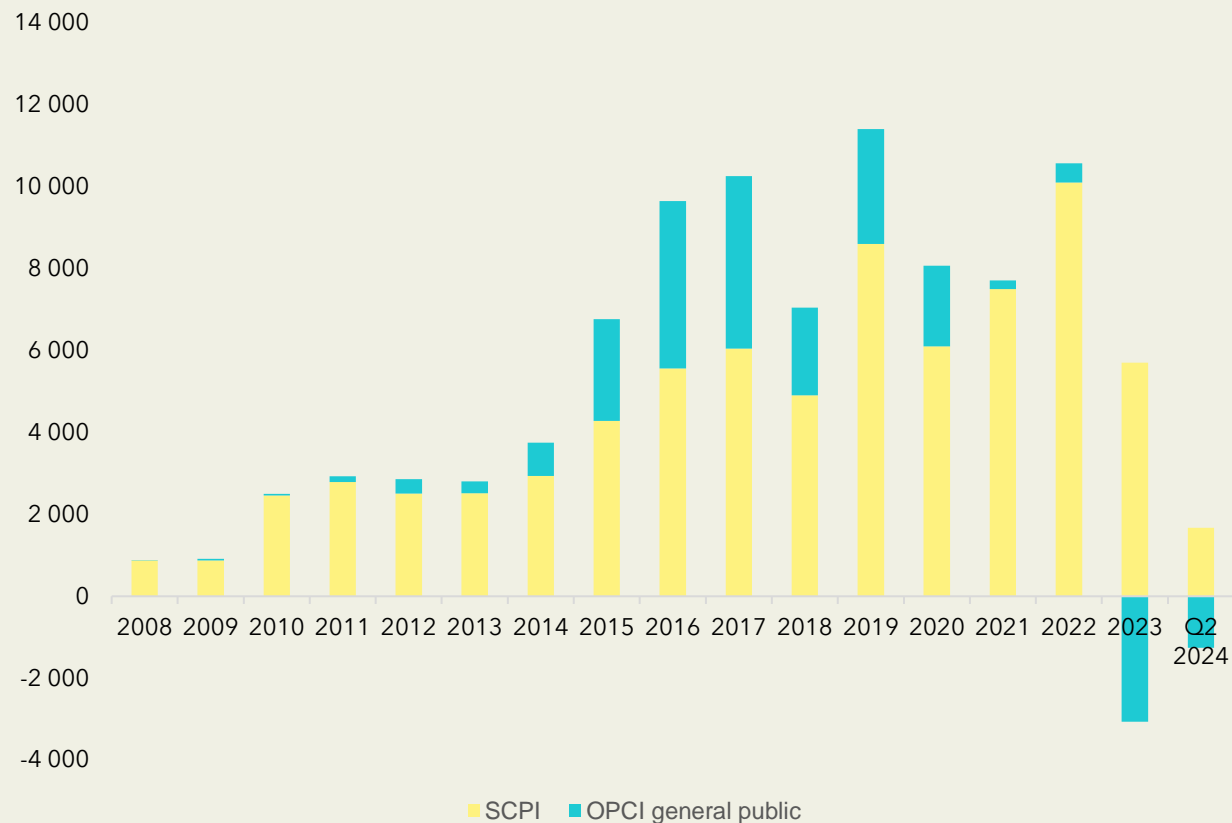
Nevertheless equity seems to be available again, particularly in the core+ and value-added segments. This is enabling private investors to maintain an investment dynamic that is mainly focused on tertiary assets (66%), particularly in Paris. In the third quarter of 2024, the building at 153 rue du Faubourg Saint-Honoré in the 8<sup>th</sup> arrondissement of Paris was acquired by a club-deal of private investors through Roka.



# Sluggish volumes collected

## Collection of public SCPI and OPCI

In France, in millions of euros



In the first half of 2024, gross inflows to SCPI's totalled €2.3bn, in line with the figure for the second half of 2023. The second quarter stood out with €1.2 billion raised, an increase on the previous quarter. Diversified' SCPIs dominated, accounting for 63% of gross inflows in the second quarter. They were followed by SCPIs focusing on 'offices' (19%), 'health and education' (8%), 'logistics and business premises' (5%) and 'retail' (2%). The 'residential' and 'hotel, tourism and leisure' categories attracted 2% and 1% of subscriptions respectively.

Net new money for SCPIs came to €1.67 billion, a level similar to that for the second half of 2023. In the second quarter, net new money amounted to 907 million euros, an increase from the 765 million euros recorded in the first quarter.

Net outflows from retail OPCI's were reduced to -1.3 billion euros, showing an improvement on the -2 billion euros recorded in the second half of 2023. In the second quarter of 2024, outflows totalled €707 million, up on the €553 million recorded in the first quarter.

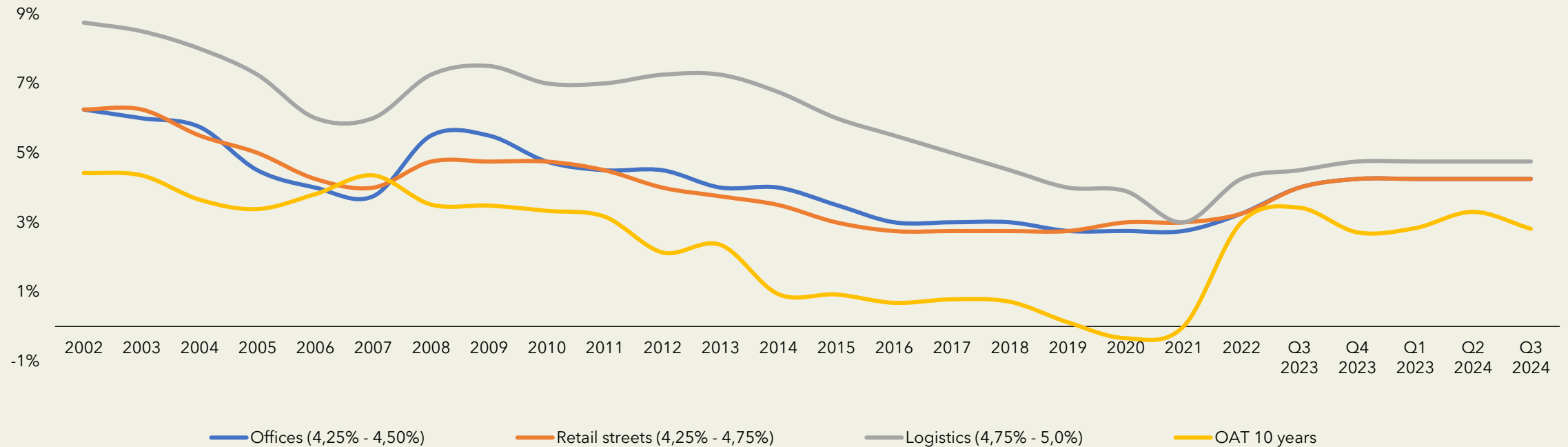
# Stabilisation before the onset of contraction ?

We have seen prime rates stabilise since the start of the year, while the financial markets seem to be back in favour of the sector. Central banks are gradually easing their policies, as in the case of the ECB, which cut its deposit rate by 25 basis points to 3.5% in September. Analysts are also forecasting a further fall by the end of the year, and Euribor swap rates are now around 90 basis points lower than last year. However, factors

external to the sector, whether geopolitical or economic, are still holding back the return of core investors, and this is having an impact on current market pricings. However, current trends suggest that yields on the best assets could be reduced in the short term.

## Change in prime yield

In France, in %



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# OFFICES

# Key Figures

	Q3 2024	Q3 2023	Annual Change
Volumes invested in offices in France	€2.6 bn	€5.1 bn	▼
Share of offices*	35 %	56 %	▼
Number of transactions > €100 M	4	7	▼
Share of transactions > €100 M**	23%	30%	▼
Share of volumes invested in the Greater Paris Region**	73%	72%	▼
Share of Foreign Investors**	10%	19%	▼
Prime yield rate of Paris CBD	4.25 % - 4.50%	4.00%	▲
Prime yield rate of La Défense	6.50 % - 6.75%	6.00%	▲
Prime yield rate Lyon	5.25 % - 5.50%	5.00%	▲

\*Share of total volume invested in France, all asset types combined - excluding non-divisible portfolios.

\*\*Share expressed as a percentage of all office space invested in France.



# Offices : a two-tier market

With 2.6 billion invested, the first nine months of 2024 confirm the trend observed over the last four years : a simultaneous fall in the volumes invested in offices and in their share of total commercial property commitments (35% so far in 2024, compared to 70 % five years ago).

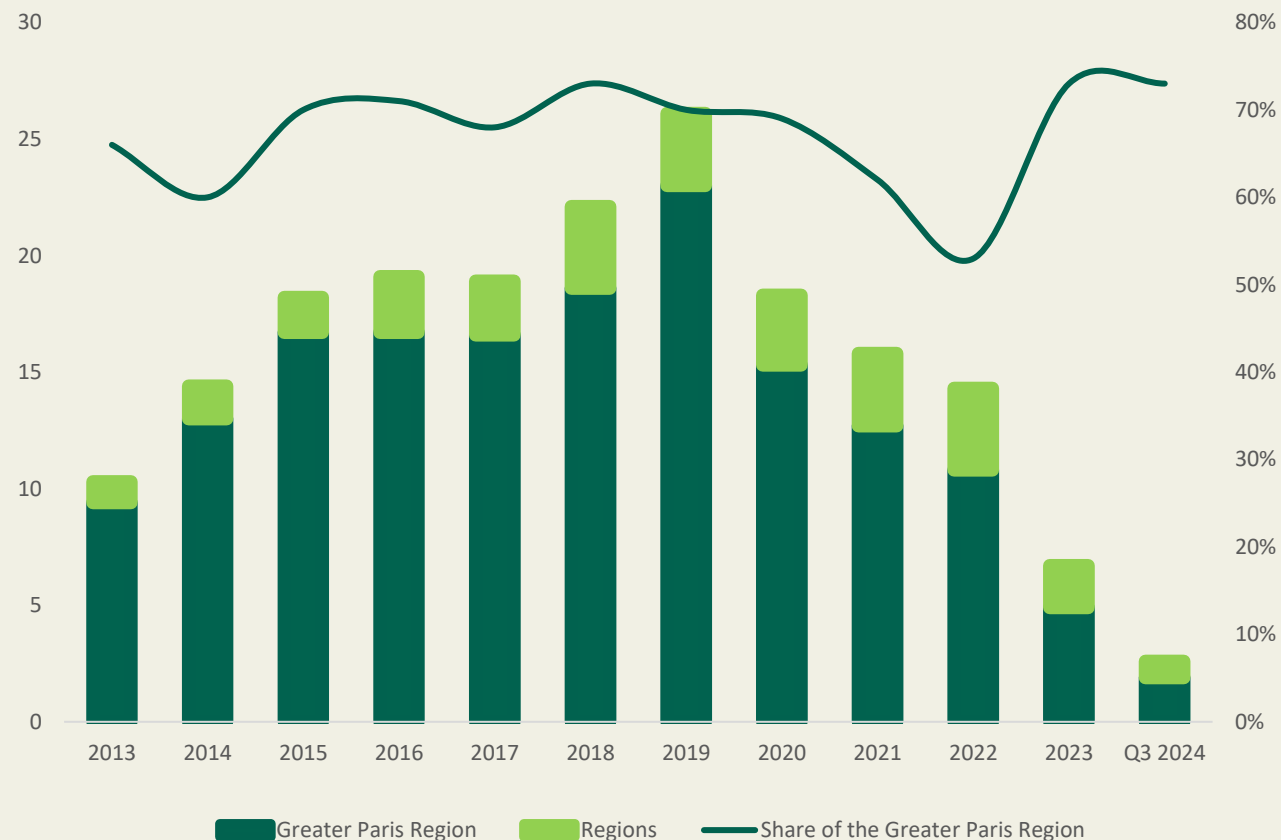
The geographical breakdown between the Greater-Paris region and the other regions has returned to levels in line with historical norms for the Greater Paris region, with 73% acquisitions concentrated in the Greater Paris area.

In regions, the vacancy rate remains generally quite weak, and assets are more liquid and easier to finance, thanks to lower investment costs.

The main drivers of the market are the ‘young’ SCPIs, while the market is struggling to find a growth driver in the face of the decline in activity of the ‘historic’ SCPIs, which had previously driven growth in these markets. In effect, with the exception of the US fund Radius Global Infrastructure, which positioned itself at the start of the year on a portfolio of call centres leased to Orange and La Poste, valued at €120 million, only one transaction worth more than €30 million has been recorded since January.

In the Greater Paris Region, the phenomenon of « flight-to-quality », marked by an increased search for centrality, has never been so pronounced, with a significant proportion of volumes invested in offices located in the heart of the Paris CBD.

**Change in volumes invested in offices**  
In France, in billions of euros





# Greater Paris Region Offices : the central business district carries the market

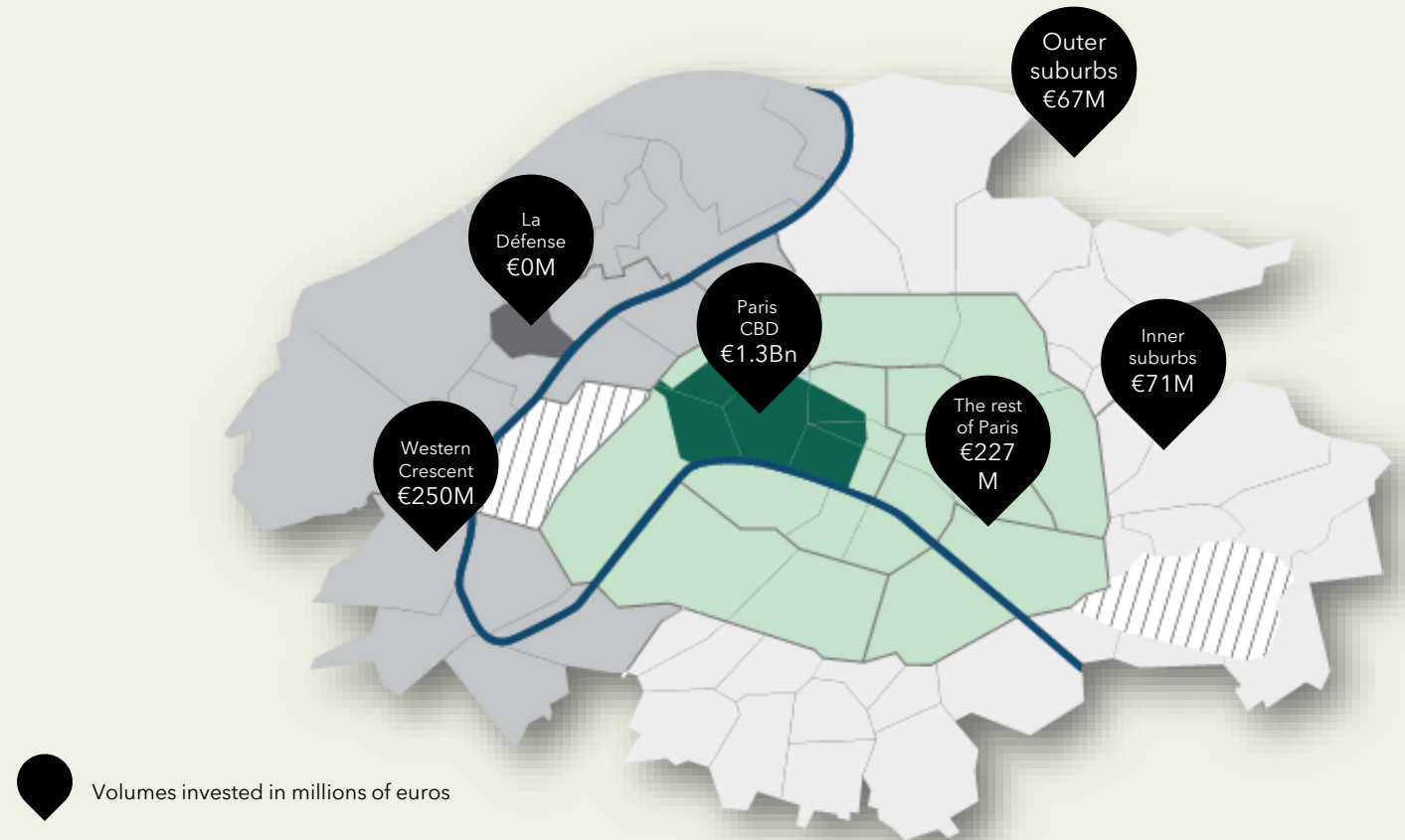
**In the Greater Paris Region, the amount invested in offices in the first nine months of 2024 came close to €2 billion, making this one of the slowest years since 2009.**

An analysis of the geographical breakdown of acquisitions in The Greater Paris Region reveals that investors are extremely selective. More than ever, they are focusing on centrality, with the Paris CBD accounting for two-thirds of office investment in the Paris region, and almost 50% nationally. The Le Baron building located on Boulevard Haussmann, in the heart of Paris 8th arrondissement, sold by Lazard Frères to CDC Investissement for 180 million euros, is a good illustration of investors appetite for properties with a prestigious address in a market where supply is limited.

This transaction is the largest of the year by an institutional investor in core Paris office space.

Overall, activity remains sluggish on the outskirts of Paris, with investors reluctant to take positions in commercial property developments located in secondary markets. So, with the exception of the Boucle Sud and Neuilly-Levallois, it seems difficult to envisage exchanges of large volumes, except in a logic of transformation of use.

**Geographical distribution of volumes invested in offices**  
In the Greater Paris Region



# Private investors in pole position

Whilst the market favours value-add transactions and the questioning of some office sectors are more relevant than ever, **there has been a shift in the types of players active in the acquisition of tertiary developments.**

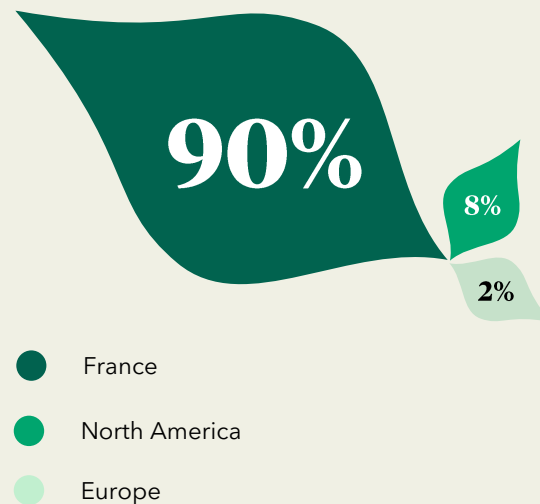
As a symbol of this development, **private investors are now the principal actors in the market.** Taking advantage of falling valuations and the financing difficulties of historical investors, they are not hesitating to use their capital to acquire Parisian office buildings in central locations.

Since the start of the year, **the public SCPI and OPCI remain**

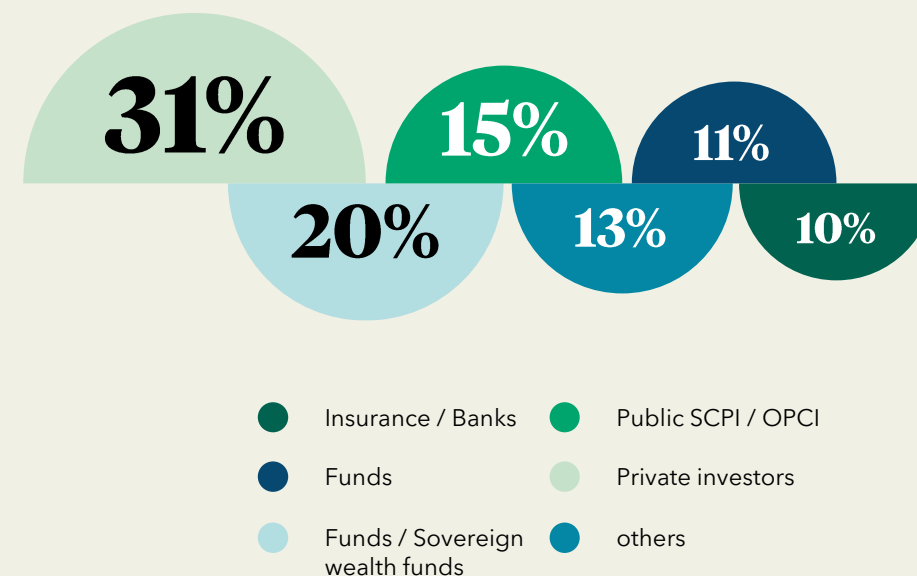
**relatively discreet**, totalling 15% of the volume invested in offices at the end of September. The traditional vehicles of management companies are pursuing a strategy of arbitrage and rebalancing their assets, while the 'young' SCPIs are concentrating mainly on modest volumes.

**Funds are making a comeback, with two office transactions in excess of €100 million. The Hexagone portfolio was acquired by an American fund, while OSAE Partner acquired the Opéra Gramont complex in the Paris CBD.**

**Volumes invested in offices by nationality**  
In France, at the end of Q3 2024, total volume in %



**Volumes invested in offices by type of investor**  
In France, at the end of Q3 2024, total volume in %



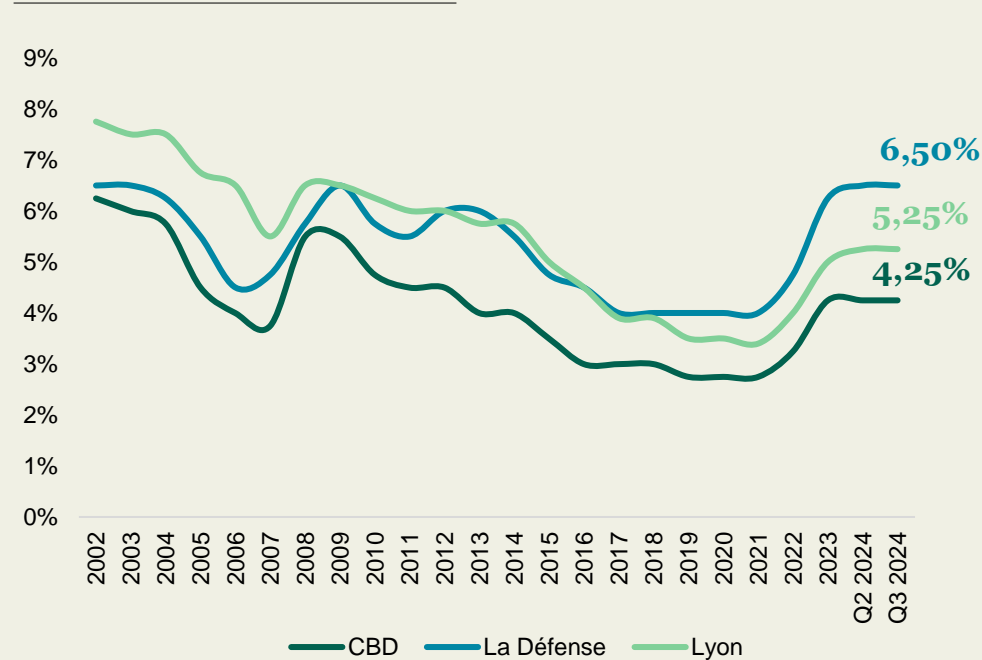
# Stability since the start of the year

After a sharp fall in prime yield in 2022 and 2023, the readjustment of prices is beginning to revive activity. However, for certain service sectors in difficulty, investors are generally expecting a more marked revaluation, which is causing pauses in certain disposal processes and prompting some sellers to withdraw their assets from the market.

**The sales concluded in the heart of the Paris CBD during the third quarter of 2024, as well as the marketing processes underway, mean that prime rates have stabilised since the beginning of the year.** On the other hand, the adjustment continues in certain geographical sectors, whether in the Paris metropolitan area or in certain regional cities.

## Office prime yields

In the Greater Paris Region, in %



	Change in a year	Change in 10 years
PARIS QCA	+ 25 bps	+ 25 bps
LA DÉFENSE	+ 50 bps	+ 100 bps
LYON	+ 25 bps	- 50 bps

# Examples of office transactions | France Q3 2024

Address / Asset	Town	Seller	Buyer	Price
42 avenue Montaigne (partie bureaux)	Paris 8 <sup>th</sup>	GENERALI REAL ESTATE	CHANEL	> 200M€
119-121 boulevard Haussmann	Paris 8 <sup>th</sup>	LAZARD FRERES	CDC INVESTISSEMENT IMMOBILIER	> 200M€
Portefeuille Hexagone	France	ETERNAM	RADIUS GLOBAL INFRASTRUCTURE	> 200M€
Opéra Gramont	Paris 2 <sup>th</sup>	DEKA	OSAE PARTNERS	> 200M€
In Situ	Boulogne-Billancourt	DWS	CORUM AM	50-100M€
40 avenue George V (partie bureaux)	Paris 8 <sup>th</sup>	SCI FORTY GEORGE V	FONCIÈRE RENAISSANCE	50-100M€
18 rue d'Aguesseau	Paris 8 <sup>th</sup>	ZV Holding / FRIEDLAND INVESTISSEMENT	CIPAV	50-100M€
5 avenue de l'Opéra	Paris 1 <sup>th</sup>	AMUNDI	FINANCIERE SAINT-JAMES	50-100M€
153 rue du Faubourg Saint-Honoré	Paris 8 <sup>th</sup>	PIMCO	ROKA	50-100M€
27 rue de Berri	Paris 8 <sup>th</sup>	CBRE GLOBAL INVESTORS	NEXSTONE CAPITAL	50-100M€



42 avenue Montaigne, Paris 8<sup>th</sup>



Opéra Gramont, Paris 2<sup>th</sup>











119-121 boulevard Haussmann, Paris 8<sup>th</sup>

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# Retail



# Key Figures

	Q3 2024	Q3 2023	Annual Change
Volumes invested in retail in France	€2.3Bn	€2.3Bn	
Share of retail*	30%	25%	
Number of transactions > €100M	6	5	
Share of volumes invested in the Greater Paris Region**	40%	59%	
Share of foreign investors**	22%	30%	
Retail street prime yeild rates	4.25% - 4.75 %	4.00%	
Shopping centre prime yield rates	6.0% - 6.25%	5.50%	
Retzil parks prime yeild rates	6.75% - 7.00%	6.00%	

\*Percentage of total volumes invested in France, all asset types combined

\*\*Paercentage of total retail investment volumes in France.

# Retail : Market Share Back at a Record High

After a relatively dynamic 2023, supported by the investment market and by owner occupier sales of prestigious Parisien addresses, investors remain interested by retail real estate, whilst remaining selective in their dossier choices. **The proportion of retail investment in France has returned to a level not seen since 2014**, confirming the end of retail bashing from the previous decade. However, in a market environment which is currently less willing to commit large deployments of capital, the investment volume remained measured.

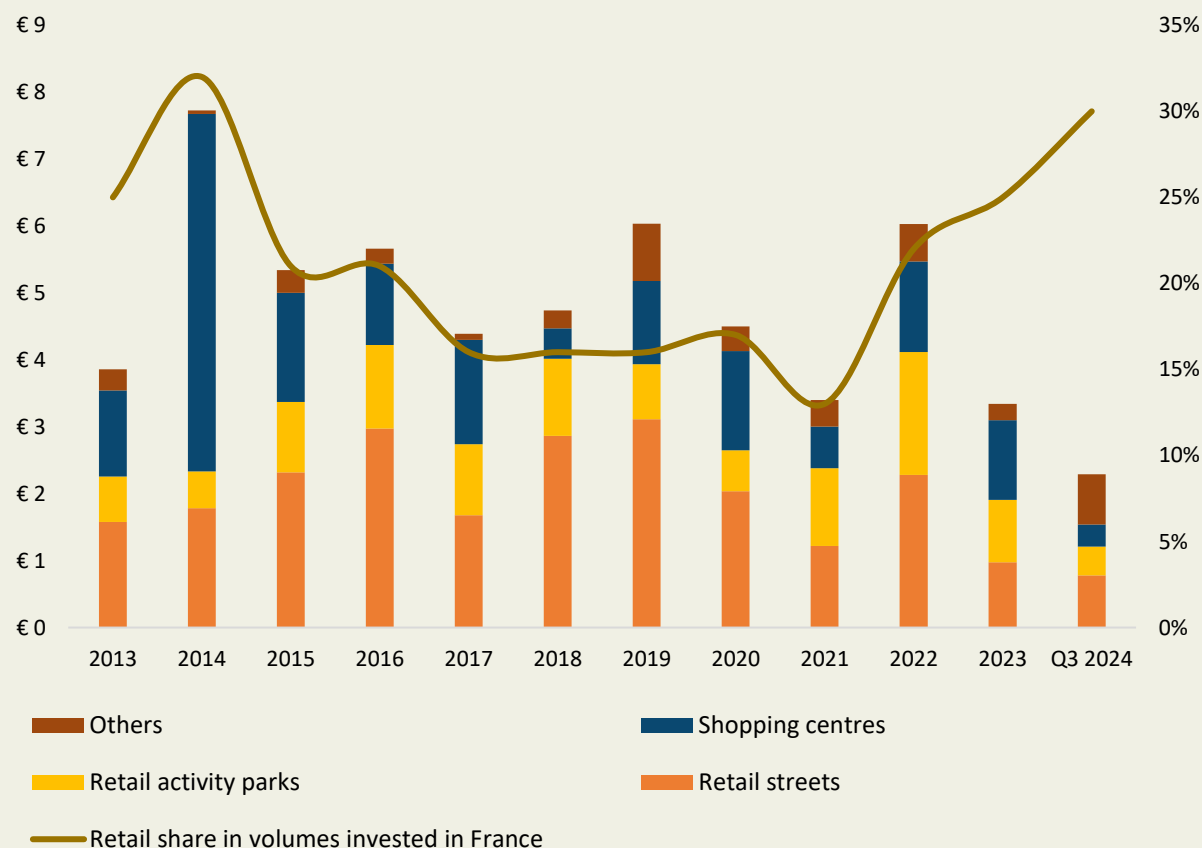
Whilst no transaction of magnitude within the main arteries of Paris was recorded within the first quarter, some impressive signatures animated the end of the second quarter, a

number of high-profile signings have livened up the market in recent months.

The commercial part of the Mandarin Oriental, located at 251 rue Saint-Honoré in the 1<sup>st</sup> arrondissement, was acquired by Blackstone for almost 150 million euros.

This year has also seen renewed interest in hypermarkets and supermarkets. Over the last nine months, more than €750 million has been invested in this type of ‘essential’ retail property. Two transactions in excess of €200 million have particularly boosted volumes: Groupe Casino sold a portfolio of 30 hypermarkets and supermarkets to Tikehau Capital, while AB Sagax acquired a 70% stake from Amundi in an OPCI holding 43 shops owned by wholesaler Metro.

**Change in volumes invested in retail**  
In France, in billions of euros



# Mainly domestic buyers with varied profiles

Foreign investors made few acquisitions in the first three quarters of the year. However, the most significant of these show their confidence in the French retail sector.

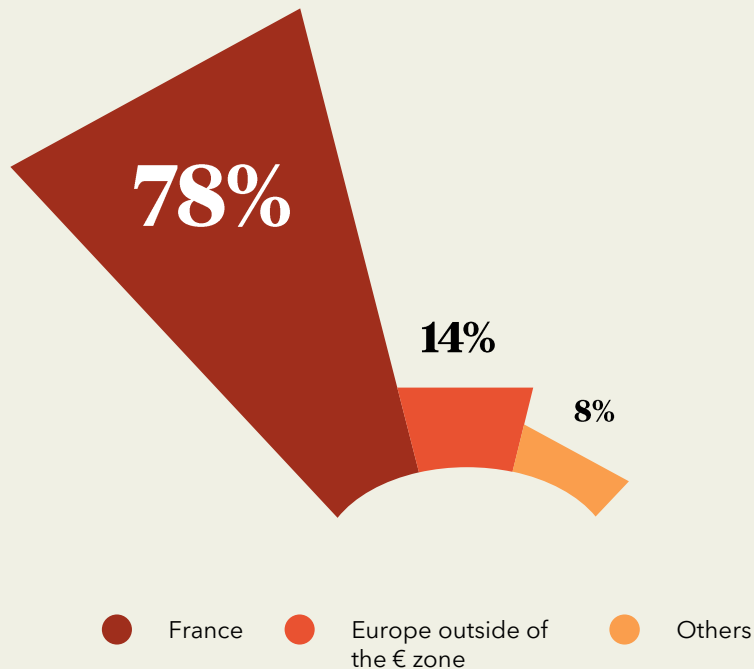
The Swedish fund AB Sagax has invested nearly €230 million to become the majority owner of a portfolio of some forty establishments owned by the wholesaler Metro, while Blackstone has invested around €150 million in the foot of the Mandarin hotel, located on the prestigious Rue Saint-Honoré in Paris.

Domestic investors, who make up the vast majority of the market, have

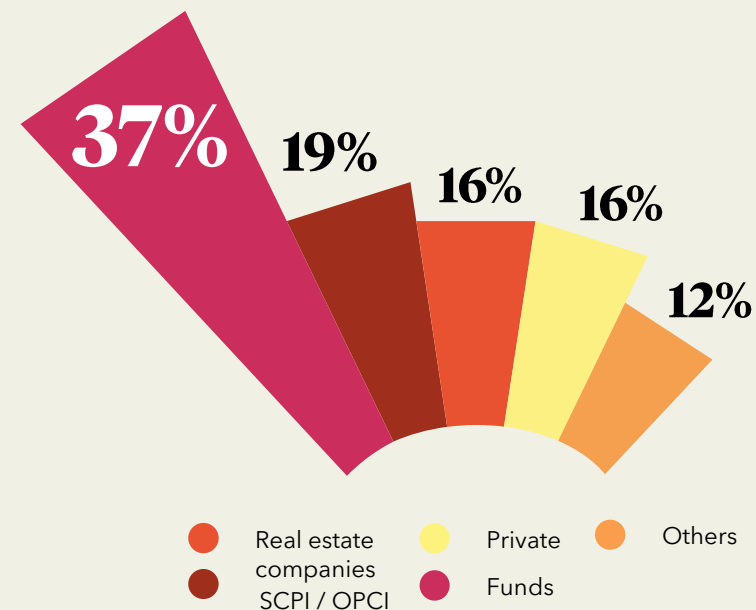
positioned themselves in retail property assets from all horizons. The Tikehau Capital fund has made its biggest acquisition of the year to date, buying a portfolio of hypermarkets and supermarkets sold by Groupe Casino for more than €200 million.

Since the start of 2024, Knight Frank's Capital Markets team has supported a number of disposals, including the O'Parinor shopping centre (>€120 million) and the Promenade de Flandre retail park (>€110 million), acquired by investors with a variety of profiles including Sofidy, Klépierre and Batipart.

**Retail investment volumes by nationality**  
En France, à fin 3T 2024, sur le volume total en %



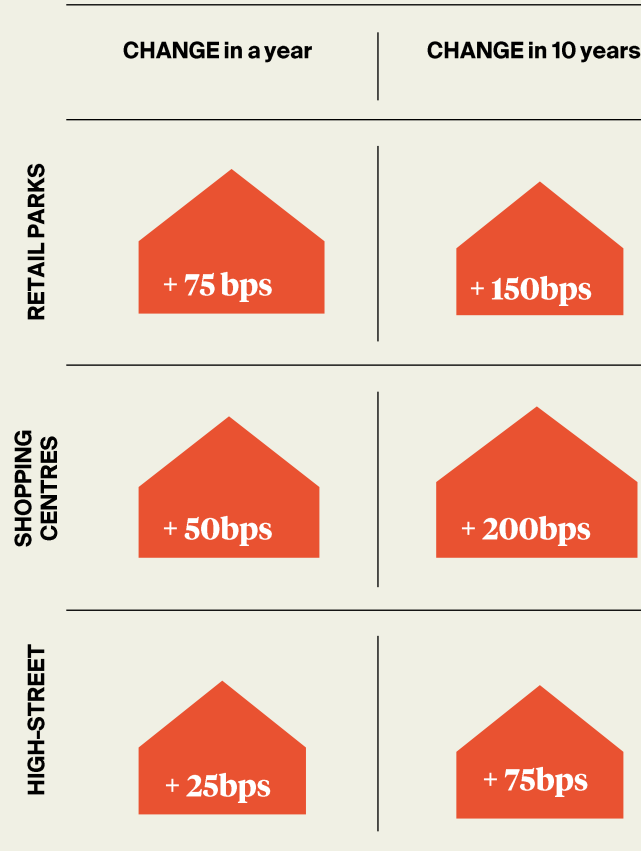
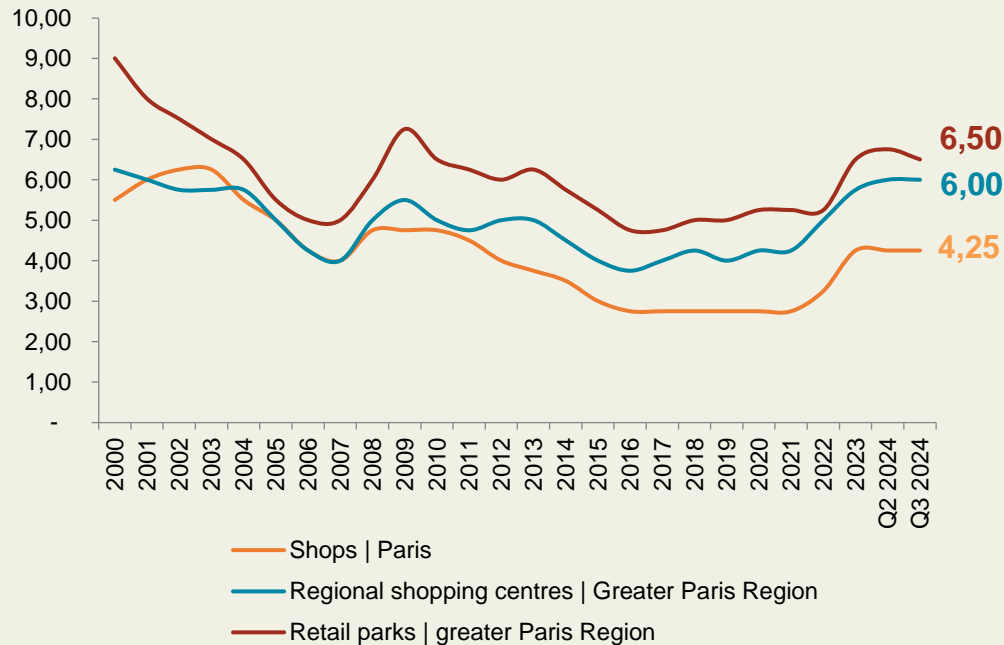
**Retail investment volumes by type**  
In France, at the end of Q3 2024, as a % of total volume



# Increasing pressure on prime rates

## Retail prime yields

In France, in %



The downward trend in prime yields began earlier for retail than for other asset classes, accelerating between 2022 and 2023. In 2024, this trend eased somewhat as the outlook for monetary policy eased.

**While the prime rate for assets located in the most sought-after districts of Paris has remained relatively low, the past revaluation of the values of retail parks on the outskirts and shopping centres has increasingly drawn investors' attention to these types of property, leading to the start of a downturn for the best products.**

# Examples of retail transactions | France Q3 2024

Address / Asset	Type	Town	Seller	Buyer	Price
Portefeuille METRO	AUT	France	AMUNDI	AB SAGAX	> €200M
30 Hypermarchés	HYP/SUP	France	GRUPE CASINO	TIKEHAU CAPITAL	> €200M
O'PARINOR	CC	Aulnay-sous-Bois (93)	HAMMERSON / PATRIZIA	SOFIDY / KLEPIERRE	> €200M
Mandarin Oriental (partie commerces)	PI	Paris 1 <sup>st</sup>	MANDARIN ORIENTAL HOTEL GROUP	BLACKSTONE	€100-200M
Portefeuille Hyperthetis	HYP/SUP	France	MERCIALYS / BNP PARIBAS REIM	FONCIÈRE MAGELLAN/ MTV CAPITAL/ CIMEA PATRIMOINE	€100-200M
Promenade de Flandres	PAC	Neuville-en-Ferrain (59)	CEETRUS/ NHOOD	BATIPART	€100-200M
Portefeuille SLB (Carrefour market)	HYP/SUP	France	CARREFOUR	SUPERMARKET INCOME REIT	€50-100M
7 rue Meyerbeer (partie commerces)	PI	Paris 9 <sup>th</sup>	FAMILLE ROYALE DU QATAR	ACOSS (URSSAF)	€50-100M
42 avenue Montaigne (partie commerces)	PI	Paris 8 <sup>th</sup>	GENERALI REAL ESTATE	CHANEL	€50-100M



CC O'Parinor, Aulnay-sous-Bois (93)

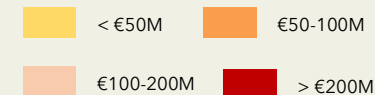


Portefeuille Metro, France



Mandarin Oriental, Paris 1<sup>e</sup>

NB: PI high street retails, PAC retail parks, CC shopping centres, HYP/SUP supermarket, AUT other





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# Industriel

# Key Figures

	Q3 2024	Q3 2023	Annual Change
Volumes invested in the French Industrial market	€2.7bn	€1.7bn	↑
Industrial share*	35%	19%	↑
Number of transactions > €100M	8	2	↑
Share of volumes invested in the form of portfolios**	47%	37%	↑
Share of foreign investors**	84%	34%	↑
Logistics prime yield rates	4,75% - 5,00%	4,50%	↑
Business prime yield rates	6,00% - 6,25%	5,50%	↑

\*Percentage of total volumes invested in France .

\*\*Share of total volume invested in France, in industrial units.

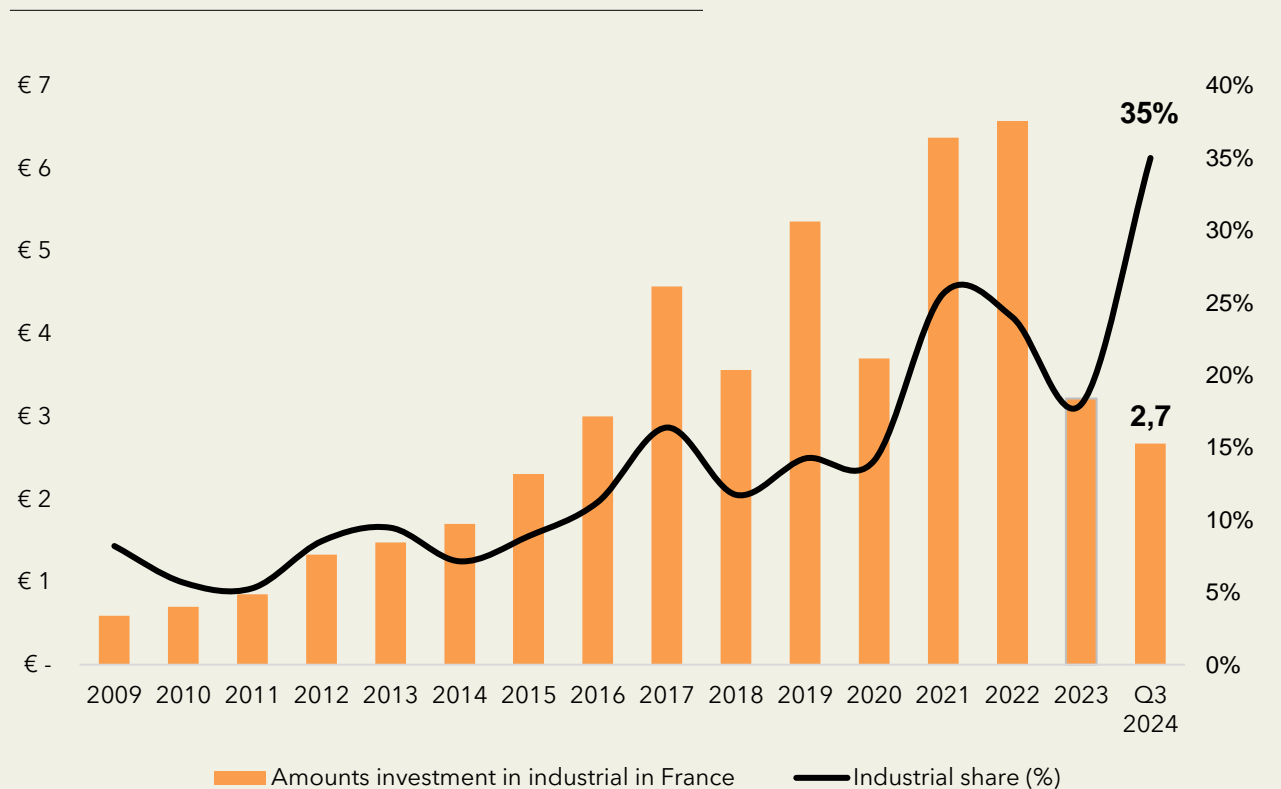
# Industrial property : sharp rise in volumes invested

At the end of the third quarter, investment in industrial premises was up by more than 50% year-on-year. With €2.7 billion committed at the end of September, volumes are comparable to those seen in 2019 and 2020 over the same period. While the last quarter of 2019 was particularly dynamic, with investment in logistics warehouses and business premises topping €5.2 billion, the end of 2020 was quieter, due to the health crisis, reaching €3.7 billion. For 2024, total investment is expected to be between €3.5 and €4 billion.

At a time when a number of institutional investors are gradually shifting a larger

proportion of their strategies towards real estate, logistics warehouses are proving to be particularly attractive for attracting this capital. The strategic position of France, at the heart of Europe, combined with its efficient road network, makes it a prime destination for logistics operators and e-commerce players. In addition, control over supply, thanks in particular to ZAN (zero net artificial development) measures, offers investors the prospect of growth in rental income in under-supplied sectors of the backbone and Atlantic arc.

**Change in volumes invested in industrial real estate**  
In France, in billions of euros





# Spearheaded by foreign funds

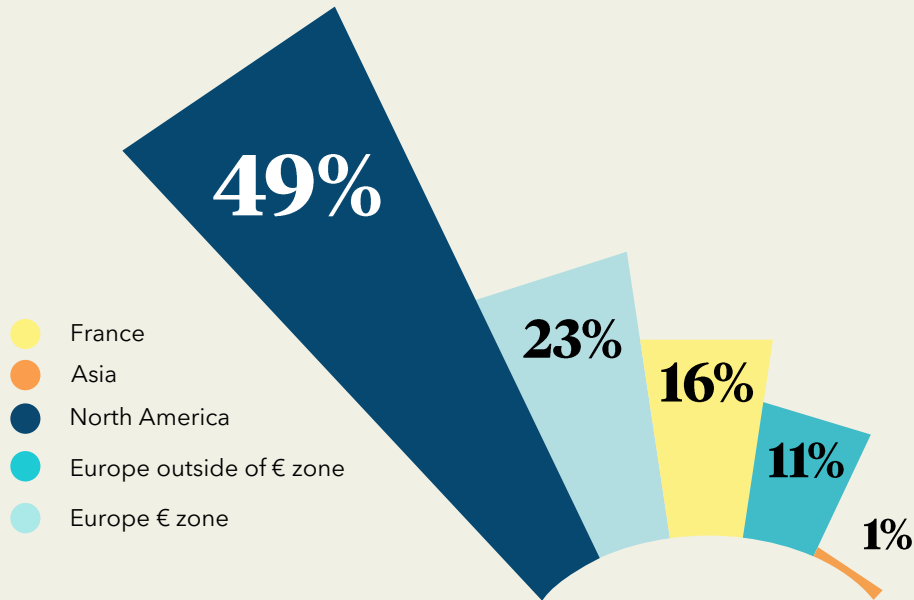
Foreign investors are demonstrating their confidence that they are putting into the French industrial real estate, representing 79 % of the total amount invested over the first nine months of the year. The vitality of the French economy, the quality of the road network, as well as the potential rental uplift are boosting the appetite for this asset class.

The Project Montclair portfolio is a perfect illustration of this. Comprising 360,000 m<sup>2</sup> spread over 8 logistics platforms across France, it is the largest transaction in this segment since 2020. The American fund Ares Management invested over €350 million to acquire this portfolio, which was arbitrated by Blackstone.

In 2024, public SCPIs are more discreet in their investments, in the industrial property sector with commitments of no more than €30 million per transaction. Due to limited fundraising, these management companies do not yet have sufficient funds to commit to large-scale acquisitions.

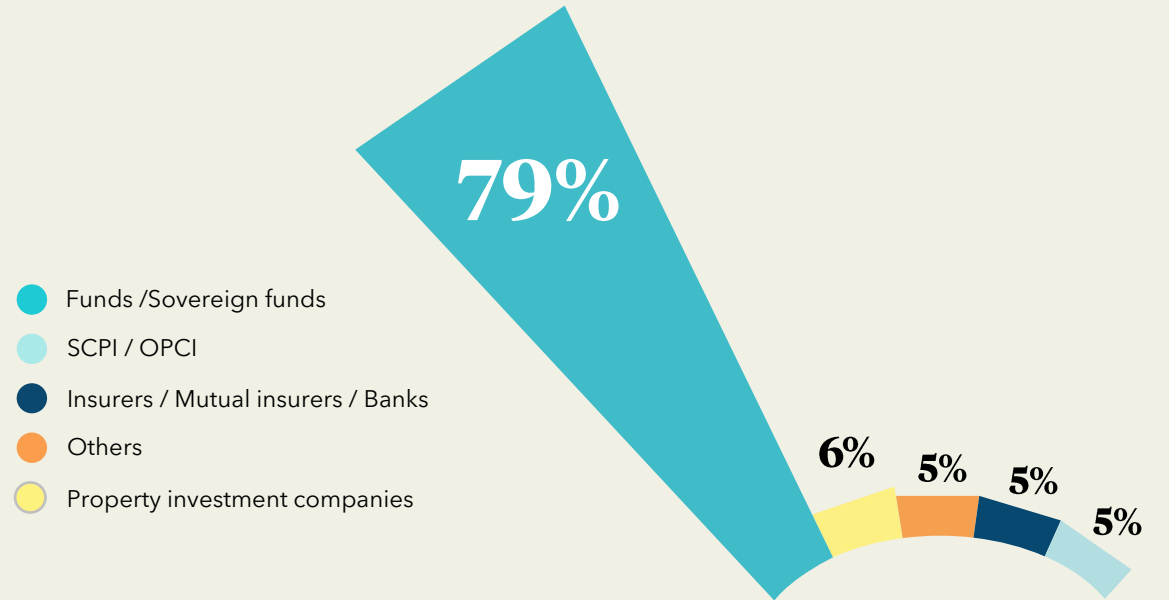
## Volumes invested in industrial real estate by nationality

In France, at the end of Q3 2023, as a % of total volumes



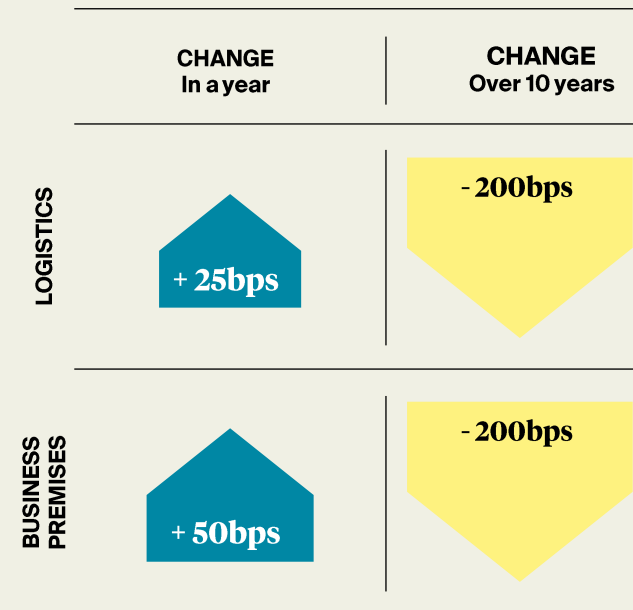
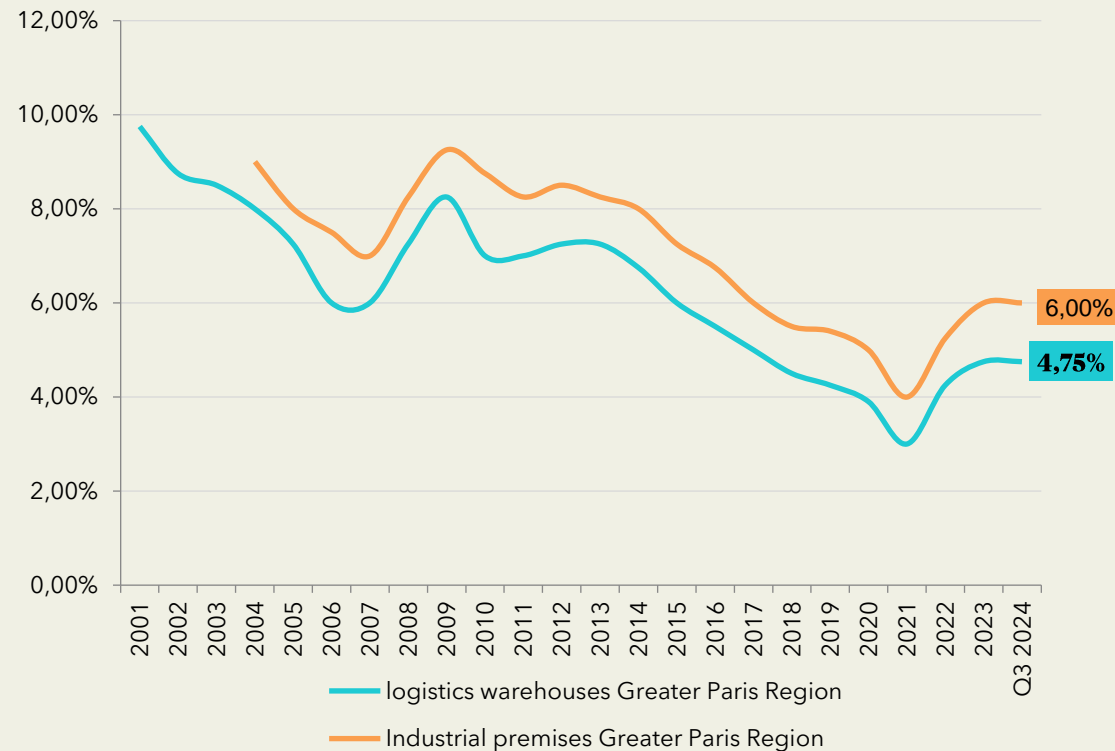
## Volumes invested in industrial property by type

In France, at the end of Q3 2024, as a % of total volume



# Prime yields set to stabilise

**Prime yields of industrial assets**  
In France, in %



Following a strong decompression in 2022 and a continuation of the rise in industrial real estate prime yields in 2023, they have stabilised in 2024.

While a large proportion of completed transactions and ongoing negotiations in excess of €100 million are in the region of 5%, **the most attractive assets, with the potential for rental reversion, continue to trade at rates below 5%.**

The prime yield rate for industrial premises also remain stable, at around 6%.



# Examples of transactions of industrial premises | France 3T 2024

Address / Asset	Type	Town	Seller	Buyer	Price
Portefeuille Project Montclair	LOG	France	BLACKSTONE	ARES MANAGEMENT	> €200M
Réunification Portefeuilles Mosaic & Swen	ACT	Ile-de-France, Auvergne-Rhône-Alpes, PACA	AMUNDI	BLACKSTONE	> €200M
Part française du portefeuille pan-européen de Burstone	LOG	France	BURSTONE GROUP	BLACKSTONE	> €200M
Entrepôt Zalando	LOG	Montereau-sur-le-Jard (77)	GEMFI	DEKA	€100-200M
Portefeuille Paris	LOG	Ile-de-France, Hauts-de-France	CBRE IM	BOREAL IM	€100-200M
Plateforme Easydis	LOG	Corbas (69)	BNP PARIBAS REIM	PROLOGIS	€100-200M
Péripark	LOG	Gennevilliers (92)	BLEECKER	MELCOMBE PARTNERS	€100-200M
Portefeuille Podium	LOG	France	BLACKSTONE	PICTET GROUP	€100-200M
Entrepôt Darty	LOG	Mitry-Mory (77)	DARTY	PGIM	€50-100M



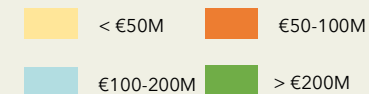
Portefeuille Project Montclair, France



Portefeuilles Mosaic & Swen, France



Portefeuille Burstone, France



**The Investment  
Market**

*France*

# Outlook

## 1

### **We're closer than ever to getting back on track.**

The 2024 vintage will go down as one of the weakest in terms of volumes invested in unmarked property in France, with just over €7.5 billion invested in the first nine months of the year and a year-end landing that should nevertheless exceed the €10 billion mark.

However, there are signs that we are on the cusp of a new market cycle: volumes should gradually recover, while the number of properties withdrawn from the market, although still relatively high, is falling sharply. These data give us hope that the market will recover in the coming quarters.

Nevertheless, this recovery will be different from previous ones, in particular due to the more fragmented nature of the upturn across market sectors and asset types.

## 2

### **Interest rates back on track.**

A key factor in the functioning of the property ecosystem, the financial markets seem to be becoming favourable to the sector once again, with central banks gradually easing their policies, as in the case of the ECB, which lowered its deposit rate by 25 basis points to 3.25% in October. Moreover, analysts are forecasting further cuts between now and the end of the year, and Euribor swap rates are now well below their level of last year.

This should give real estate players a breath of fresh air and help in the recovery of the investment market. This is evidenced by the fact that volumes committed in Europe in the third quarter of 2024 could increase for the second consecutive quarter, the first time this has happened in over two years.

However, external factors such as armed conflict and the US presidential elections could influence the pace of the recovery.

## 3

### **Rebalancing and diversifying investments.**

As the property market enters a new cycle, investors are continuing to diversify their portfolios, taking into account changes in lifestyles, economic sectors and demographic trends.

Although the breakdown of investment in commercial property in France has been relatively balanced since the start of the year, so-called alternative assets are attracting more attention than ever, despite the still limited depth of the market.

In the hotel sector, more than 2 billion euros have already been invested in 2024. The residential sector, for its part, continues its positive momentum, with significant block sales carried out in the Paris region, as well as structuring managed residential projects spread across the entire territory. At the same time, the data centre market is beginning to take off, driven mainly by development projects led by operators.

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*The data used to produce this study comes from sources recognised for their reliability, as well as Knight Frank's property market monitoring tools.*



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