



Real Estate
Debt & Capital Advisory
EMEA Marketbeat Q1-2025

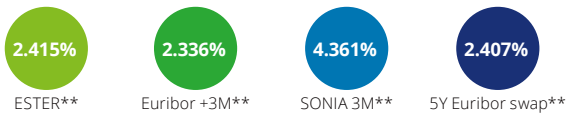
Macroeconomic outlook

Inflation outlook

Inflation slightly declined in Q1, reaching 2.5% for the European Union and 3.4% for the United Kingdom. However, inflationary pressures persisted in Ireland, Poland, and Italy. Amidst heightened geopolitical uncertainty and US/China trade tensions, European economic growth remains subdued. Preliminary ECB estimates indicate 1.4% year-on-year GDP growth for Q1 2025 within the EU. This reflects a varied regional landscape, with Germany (-0.2%), Italy (+0.6%), and France (+0.8%) experiencing muted growth, offset by stronger performance in the Netherlands (+2%), the Nordics (+2.6%), Spain (+2.8%), and Ireland (+10.9%*). The overall economic outlook remains uncertain given persistent geopolitical risks. The ECB's 2025 forecast anticipates inflation at 2.3% and real GDP growth at 0.9%.

Note: (*) Primarily driven by exceptionally strong exports

Financing market outlook



While early signs of recovery are evident in European lending activity, overall financing volumes remain subdued. Lenders continue to exercise caution when evaluating new financing opportunities, demonstrating a preference for core assets and specific asset classes. Bank margins remain largely stable across sectors, reflecting prudent lending practices in the face of persistent economic uncertainty. Following the ECB's January and March interest rate reductions, hedging costs have moderated, prompting investors to re-evaluate investment and refinancing strategies. This has contributed to an increase in financing requests.

Note: (**) Numbers as of the end of March 2025

Investment market outlook

Preliminary data indicates resilience in European investment transaction volumes, projected to exceed €50 billion, representing a 28% year-on-year increase. This resurgence in market activity is attributed to the ECB's interest rate cuts and improved price convergence between buyers and sellers – factors anticipated to further stimulate activity throughout 2025. Despite ongoing geopolitical uncertainties, market sentiment remains cautiously optimistic. Increased transaction volumes and a broad-based recovery are expected across Europe in 2025, with most countries projected to experience heightened activity compared to 2024.

Markets drivers



Interest rates' evolution

During Q1 2025, the ECB continued its policy of reducing key interest rates. The marginal lending facility rate, the main refinancing operations rate, and the deposit facility rate were each lowered by 50 basis points to 2.90%, 2.65%, and 2.50%, respectively. The Bank of England (BoE) reduced its base rate by 25 basis points to 4.50%.



Geopolitical dynamics

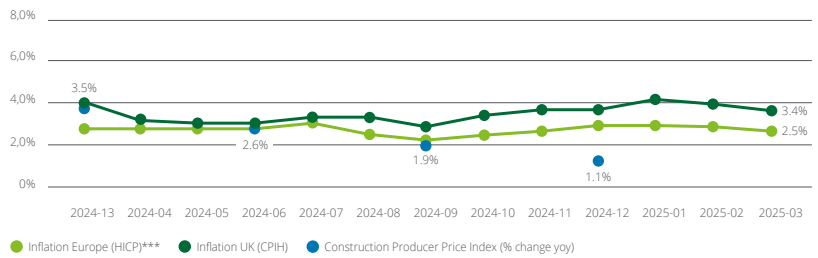
The introduction of new US tariffs and uncertainty surrounding long-term trade policies have added complexity to the global economic landscape. Ongoing geopolitical tensions in Ukraine and the Middle East continue to drive energy market volatility across the region, contributing to uncertainty regarding the future inflation and interest rate environment.



Political environment

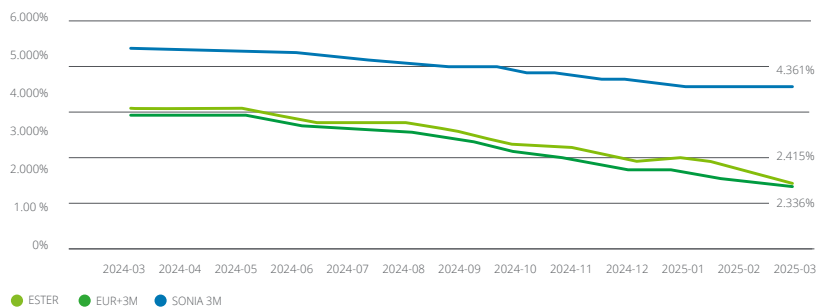
Q1 2025 witnessed key political developments within the European Union. Micheál Martin assumed the role of Taoiseach (Prime Minister) in Ireland. Belgium resolved its political deadlock with Bart De Wever taking office. In Germany, the CDU/CSU has won the federal election and, together with the SPD, has a potential parliamentary majority.

Inflation (one year average rate of change)

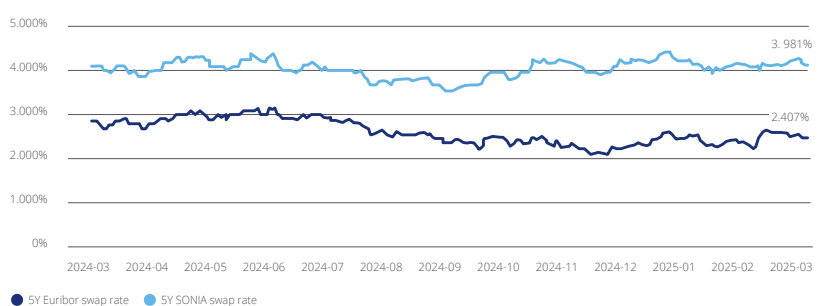


Note: (***) The Harmonized Index of Consumer Prices (HICP) is used in the analysis and is a measure of inflation in the European Union (EU).

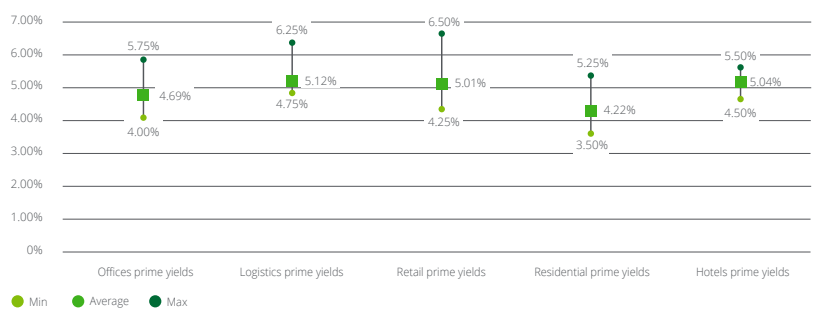
Euribor +3M, ESTER & SONIA 3M (one year evolution)



5Y Euribor & SONIA swap rates



Prime yields levels by asset class*** (Europe)



Note: (****) Prime yields are reported for Q4 2024
Sources: Eurostat, Refinitiv, Statista, BoE, ECB

Real estate financing trends

Trends in financing products

Following successive central bank interest rate reductions, which have lowered the cost of bank financing, senior debt has become increasingly prominent as investors prioritize overall financing costs. Maintaining adequate equity levels remains a key requirement for securing debt financing, with lenders favouring investors with substantial equity contributions ("skin in the game"). However, challenges persist in raising capital from institutional investors, allowing alternative debt providers to strengthen their market position. Mezzanine debt is gaining traction due to its flexible terms and its ability to complement senior loans, making it an attractive option for value-add and development projects. Investors are drawn to mezzanine debt's potential for higher project IRRs, while developers benefit from its capacity to secure funding despite ongoing market challenges.

★ Senior debt

Equity

Mezzanine debt

Whole loan

Junior debt

Trends in financed purpose

Refinancing remains the predominant financing group across European real estate markets, comprising a significant proportion of both transaction volumes and deal count. This trend stems from investors' need to stabilize portfolios, restructure existing debt obligations, or secure longer-term financing in anticipation of a volatile interest rate environment. For certain value-add and development projects experiencing delays, refinancing enables both investors and lenders to strengthen their positions while awaiting improved market conditions for exit. Development financing remains active, with lenders demonstrating a willingness to support new projects, particularly in the UK and Spain. As market confidence gradually recovers, lenders are increasingly inclined to finance new acquisitions, notably in prime locations, maintaining a forward-looking approach throughout the remainder of 2025.

★ Refinancing

Development finance

Asset acquisition

Corporate financing

Portfolio acquisition

Trends in financed sector

Strong demand coupled with structural undersupply in the residential sector continues to attract significant interest from lenders and investors, driving rental growth and fostering the emergence of alternative living formats such as student housing, co-living, and flex-living, particularly in Spain, Luxembourg, and the UK. The hotel sector maintains strong momentum, driven by increasing occupancy rates and RevPAR. These strong fundamentals underpin lender interest across most geographies, notably within the luxury segment. Logistics assets, especially those secured by long-term leases with high-quality tenants, remain attractive to lenders, particularly in Belgium, Italy, and Spain. However, lenders are increasingly prioritizing borrower and tenant creditworthiness, ESG considerations, and robust project fundamentals over asset class alone.

★ Residential

Hotels

Logistics

Retail

Offices

Deloitte's sample of credentials for the quarter



Offices

Project Maverick

Amount raised:

€50 million +

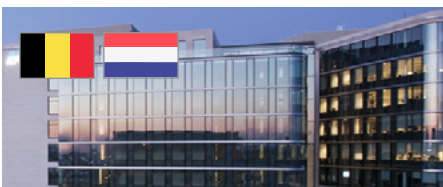
Financing:

Senior club deal term loan

Lender:

Local banks

Deloitte Belgium and the Netherlands provided debt advisory services to United Partners AMC for the refinancing of Passport, a landmark office building located in Brussels.



Hotels

Project Thistle

Amount raised:

£40 million

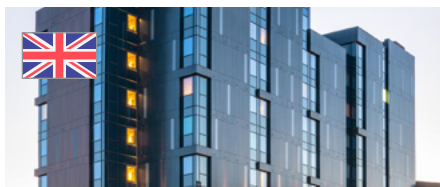
Financing:

Whole loan

Lender:

Confidential

Deloitte UK provided debt advisory services to a client for the refinancing of an income generating hotel portfolio.



Retail

Project Rum

Amount raised:

£16.2 million

Financing:

Senior loan

Lender:

Co-operative Bank

Deloitte UK provided debt advisory services to Urban Splash for the refinancing of Royal William Yard, a mixed-use complex converted from a former Royal Navy base.



Real estate financing sectoral trends and key indicators



Offices

European office market activity remains subdued, though Dublin and London show stronger momentum, with occupiers prioritizing well-located, sustainable, and high-quality assets offering flexibility. This has resulted in a pronounced divergence in demand between prime and secondary office spaces. Investors and lenders are responding accordingly, focusing on well-located, Grade A buildings, particularly in central business districts (CBDs), where strong fundamentals and occupier demand support stable cash flows. Lenders remain highly selective regarding secondary assets, unless repositioning or conversion strategies are demonstrably viable. In Spain, for example, increasing capital flows are being directed towards office-to-residential conversions, particularly in urban submarkets with strong housing demand. In the UK, a notable shift towards value-add opportunities is evident, particularly refurbishments and redevelopments.

Financing				
Countries	Senior LTV Levels	Trends	Senior debt margins	Trends
Belgium	50-60%	→	170-225 bps	→
Denmark	55-65%	→	80-120 bps	→
France	45-60%	→	165-190 bps	→
Germany	60-65%	→	150-170 bps	→
Ireland	45-55%	→	250-300 bps	→
Italy	40-50%	→	250-350 bps	→
Luxembourg	55-70%	→	200-250 bps	→
Poland	<65%	→	260-300 bps	→
Spain	50-60%	→	200-250 bps	→
Sweden	45-55%	→	150-250 bps	→
The Netherlands	50-55%	→	175-275 bps	→
United Kingdom	50-65%	↑	190-290 bps	→

Source: Deloitte based on a market sounding



Residential

The European residential sector has experienced significant activity, driven by strong demand, constrained supply, favourable demographic trends, and supportive government policies in certain markets. Rental pressure persists in countries like Belgium and Germany, where housing shortages continue to underpin property price growth, often leading to affordability challenges. In the UK, build-to-rent development faces construction and financing constraints, limiting new supply and further supporting price appreciation. Alternative living segments, such as student accommodation, senior living, and co-living, are attracting increasing investor and lender interest in markets like Spain, France, and Luxembourg.

Financing				
Countries	Senior LTV Levels	Trends	Senior debt margins	Trends
Belgium	55-65%	→	125-200 bps	→
Denmark	55-60%	→	80-120 bps	→
France	50-60%	↑	165-185 bps	→
Germany	70-75%	→	110-130 bps	→
Ireland	50-60%	→	225-250 bps	→
Italy	40-60%	→	250-350 bps	→
Luxembourg	50-70%	→	200-250 bps	→
Poland	<75%	↑	220-260 bps	→
Spain	50-65%	→	200-250 bps	↓
Sweden	50-60%	→	150-250 bps	→
The Netherlands	55-65%	→	150-225 bps	↓
United Kingdom	50-65%	↑	190-225 bps	→

Source: Deloitte based on a market sounding



Retail

Performance within the European retail sector remains varied across segments and geographies. In Ireland, the retail sector represented half of total Q1 2025 investment volume, supported by high saving rates and a growing population. Similarly, robust investment activity persists in the UK, particularly amongst listed entities pursuing value-add opportunities in retail park and shopping centre assets. Other geographies exhibit more nuanced activity levels, with lenders remaining selective and favouring retail parks and prime shopping centres demonstrating increasing footfall. Given ongoing macroeconomic uncertainty and its potential impact on consumer confidence, the sector outlook remains uncertain, encouraging a prudent and selective approach from investors and lenders focused on strong underlying fundamentals, including tenant quality and asset positioning.

Financing				
Countries	Senior LTV Levels	Trends	Senior debt margins	Trends
Belgium	50-60%	→	170-275 bps	→
Denmark	50-55%	→	80-120 bps	→
France	50-55%	→	190-205 bps	→
Germany	50-60%	→	170-190 bps	→
Ireland	50-55%	→	250-325 bps	→
Italy	30-50%	→	250-350 bps	→
Luxembourg	n/a	n/a	n/a	n/a
Poland	<60%	→	210-235 bps	→
Spain	50-60%	→	300-350 bps	→
Sweden	50-65%	→	150-250 bps	→
The Netherlands	50-55%	→	175-275 bps	↓
United Kingdom	50-65%	→	190-250 bps	→

Source: Deloitte based on a market sounding

Real estate financing sectoral trends and key indicators



Logistics

Driven by strong demand and constrained supply, the logistics sector remains an attractive asset class across much of Europe. Following significant price corrections, yields have largely stabilized, contributing to improved investor confidence, further supported by robust fundamentals, including rising rents and low vacancy rates. While lender interest remains high, increased selectivity is evident in certain markets, such as Spain, the Netherlands, and France, with capital flows shifting towards prime assets leased to Grade A tenants. Development opportunities are becoming increasingly scarce in some locations, primarily due to the saturation of existing logistics zones. Furthermore, ESG considerations are increasingly influential in lender decision-making. Investors seeking to acquire energy-intensive, secondary assets must demonstrate a credible capital expenditure strategy to attract lender interest.

Financing				
Countries	Senior LTV Levels	Trends	Senior debt margins	Trends
Belgium	55-65%	→	125-200 bps	→
Denmark	55-60%	→	80-120 bps	→
France	50-60%	→	180-210 bps	→
Germany	45-55%	→	170-190 bps	→
Ireland	50%	→	225-275 bps	→
Italy	40-60%	→	225-300 bps	→
Luxembourg	n/a	n/a	n/a	n/a
Poland	<65%	↓	200-240 bps	→
Spain	50-60%	→	250-300 bps	→
The Netherlands	50-60%	→	175-225 bps	→
United Kingdom	50-65%	→	190-225 bps	→

Source: Deloitte based on a market sounding



Hotels

The European hotel sector continues to attract increasing investor and lender interest, with transaction activity accelerating across most markets. Improved earnings, driven by increased room rates alongside sustained strong occupancy, are supporting sector performance. Prime and luxury assets readily attract capital, particularly those that are well-located or operated by experienced management teams. In Spain and Germany, new international investors are entering the market, pursuing value-add strategies, including repositioning, platform aggregation, and operational enhancements. In Denmark and France, lending decisions are increasingly assessed on a case-by-case basis due to the complex interplay of operational and real estate components inherent in hotel assets. In certain geographies, lenders are exercising increased caution given the sector's sensitivity to economic cycles.

Financing				
Countries	Senior LTV Levels	Trends	Senior debt margins	Trends
Belgium	45-55%	→	180-250 bps	→
Denmark	55-60%	→	80-120 bps	→
France	50-60%	→	180-205 bps	→
Germany	55-65%	→	150-170 bps	→
Ireland	50-65%	→	275-300 bps	→
Italy	40-60%	→	225-350 bps	↓
Luxembourg	n/a	n/a	n/a	n/a
Poland	50%	↓	250-300 bps	→
Spain	50-65%	↑	200-300 bps	↓
Sweden	50-65%	→	150-250 bps	→
The Netherlands	50-60%	→	200-275 bps	→
United Kingdom	50-65%	→	190-225 bps	→

Source: Deloitte based on a market sounding



Luxembourg / Luxembourg team's view

Uncertainty remains regarding the recovery in the residential sector. The first year-on-year increase in housing prices since the end of 2022 was observed in Q4 2024 and transaction volumes also rose across the board, boosted in part by temporary tax incentives set to expire in Q2 2025. However, this momentum may be short-lived, as housing loan volumes dipped during the first two months of 2025, hinting at the return of a slowdown. Meanwhile, the office market had a subdued start to the year, with weak investment activity in Q1, although vacancy rates held steady below 5%, and prime rents remained firm at €54 per square metre. Looking ahead, the outlook for 2025 remains uncertain. Both local factors and global economic conditions are fuelling a cautious approach with many investors and developers likely to take a wait-and-see approach in the coming months.

Elena Petrova

Meet the team

The European Debt & Capital Advisory team can assist you in your debt and fundraising processes through a large European lenders and investors' network, and has in-depth expertise in financing and investment markets across the continent.



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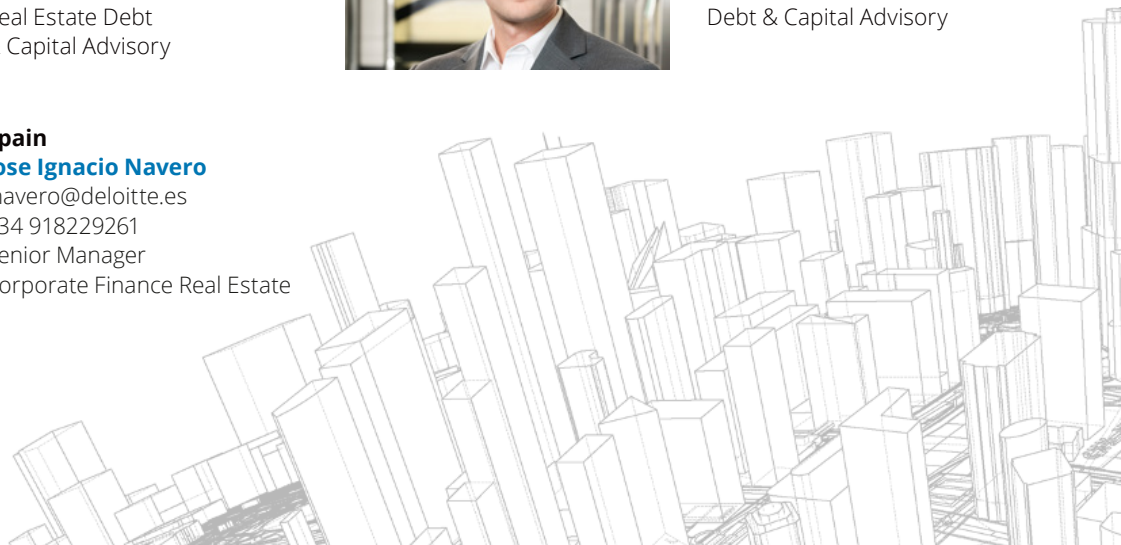
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