



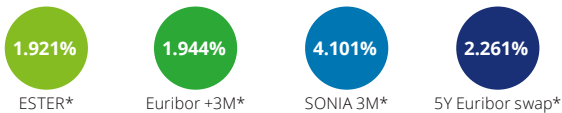
Real Estate
Debt & Capital Advisory
EMEA Marketbeat Q2-2025

Macroeconomic outlook

Inflation outlook

Inflation eased towards the ECB's 2% target in Q2, reaching it at the end of June, while UK inflation rose to 3.6%, up from 2.6% in March due notably to higher shelter, transportation and food prices. Ongoing geopolitical and trade tensions continued to weigh on European growth. Although Q2 GDP figures are still pending, recent surveys suggest muted or slightly negative growth in Germany, the UK, France, and Sweden, while Poland, and Spain are expected to perform more strongly. Notably, momentum has slowed in previously resilient economies such as the UK, Italy, and the Netherlands. The ECB has slightly revised its 2025 inflation forecast, to 2.0% (down from 2.3%) due notably to lower energy prices, while real GDP growth forecast remains unchanged at 0.9%.

Financing market outlook



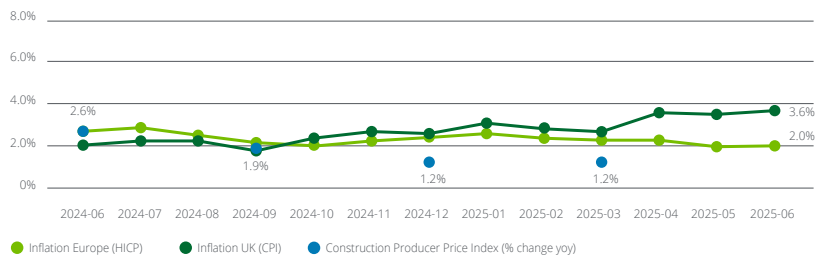
Financing conditions improved in Q2 2025, although lender selectivity and asset-class differentiation remain defining market characteristics. Slightly lower interest rates and stabilising cap rates have improved sentiment, driving renewed interest in value-add opportunities and an uptick in financing requests. However, this improving outlook was tempered recently by the ECB's decision to pause its rate-cutting cycle, which introduced fresh uncertainty around financing conditions for the coming quarters while ongoing macro-economic developments (e.g., tariffs, fiscal bills and geopolitical tensions) add further incertitude.

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

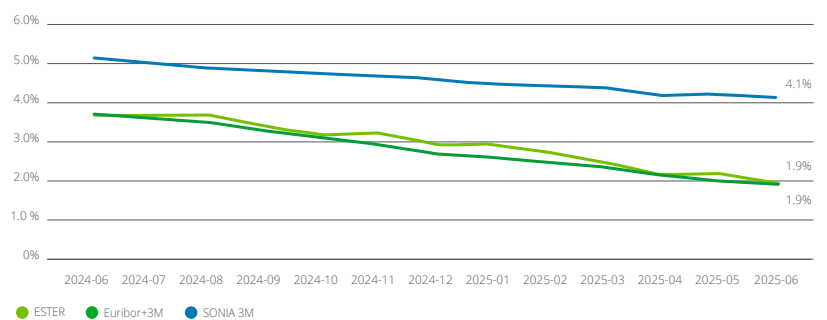
Investment market outlook

Real estate transaction activity in Europe remained resilient in Q2, with preliminary figures indicating transaction volumes of c. €50bn, an 8% year-on-year increase following 13% growth in Q1. Investment was supported by narrowing pricing gaps between buyers and sellers and stabilising cap rates. Several key markets - notably Germany, Italy, Spain, the Netherlands and Belgium - recorded a rebound in deal volumes, particularly across the living and hospitality sectors. Prime office assets are gaining traction in the UK, France and Germany, while investor appetite for dominant retail parks and shopping centres is also recovering across markets such as Ireland, Spain and the UK.

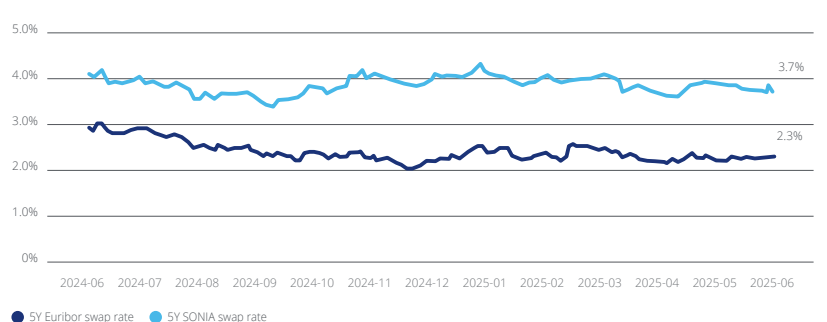
Inflation (one year average rate of change)



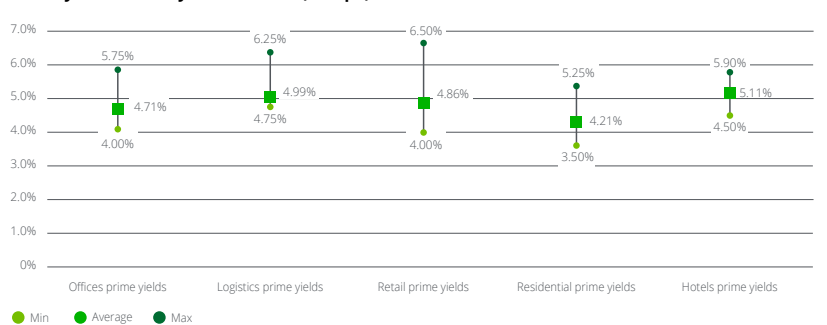
Euribor +3M, ESTER & SONIA 3M (one year evolution)



5Y Euribor & SONIA swap rates



Prime yields levels by asset class** (Europe)



Note: (**) Prime yields are reported for Q1 2025

Sources: Eurostat, Refinitiv, Statista, BoE, ECB

Markets drivers



Interest rates' evolution

During Q2, the ECB implemented two rate cuts, reducing its key policy rates by a total of 50 bps. As of June, the deposit facility rate stood at 2.00%, the main refinancing operations rate at 2.15%, and the marginal lending facility at 2.40%. The Bank of England also lowered its base rate by 25 bps to 4.25%.



Geopolitical dynamics

Continued geopolitical tensions as well as trade frictions with China and the US, have continued to fuel macroeconomic uncertainty in Q2 2025. Rising defence spending is prompting some governments to scale back public expenditures, raising investor concerns over a potential slowdown in demand-driven sectors.



Political environment

In Germany, Friedrich Merz formally took office as Chancellor on 6 May 2025, following the CDU/CSU's electoral victory and the formation of a coalition with the SPD. In Poland, conservative candidate Karol Nawrocki narrowly won the presidential election amid a highly polarised political climate.

Real estate financing trends

Trends in financing products

Senior debt remained the dominant financing instrument across European markets in Q2 2025, supported by lower funding costs and renewed appetite from both domestic and international lenders. The ability of underlying assets/portfolios to service debt comes under increased scrutiny, resulting in covenant-heavy loan documentation and conservative leverage requirements, requiring investors to maintain significant equity buffers. Some investors seeking to limit capital outlay turn to mezzanine and whole loan financing, which continue to gain traction in select markets, including Spain, Italy, and Germany. In countries such as Ireland and the Netherlands, international capital played an increasingly competitive role in the senior lending space, offering longer tenors and attractive pricing, particularly for prime, well-located assets.

Trends in financed purpose

Refinancing prevailed across most European markets, reflecting persisting uncertainty around asset pricing and delayed sale processes. In countries such as Belgium, the Netherlands, and the UK, lenders report that refinancing continues to represent a significant share of deal flow, as borrowers seek to stabilise existing positions amid gradually improving financing conditions. Acquisition financing also gained traction during the quarter, particularly in Germany, Spain, and the UK, where investors began to capitalise on discounted asset values and selective buying opportunities. In parallel, lenders in countries like Spain and Italy saw increased interest for capital expenditure and development financing from owners aiming to reposition assets or enhance ESG performance. Lastly, corporate-level financing remained limited, although a few platform-level transactions were reported in the UK.

Trends in financed sector

Residential continued to be the most dynamic asset class in Europe, supported by persistent supply-demand imbalances and growing investor appetite for alternative living formats such as co-living, student and senior housing. Sentiment remains positive in the upper segment of the hospitality market as well as in the logistics and light industrial sectors, underpinned by solid fundamentals such as rental growth and stable occupancy. The retail sector shows signs of renewed activity, with investor interest concentrated on retail parks with strong tenants, prime shopping centres and convenience-led portfolios. Meanwhile, in the office sector, lenders remain selective, although a pick-up in value-add deal flow has been observed in several geographies. Transaction activity elsewhere continues to focus on prime, sustainable assets leased to tier-one tenants and the gap between prime and secondary offices continues to widen.

★ Senior debt

Equity

Mezzanine debt

Whole loan

Junior debt

★ Refinancing

Asset acquisition

Development finance

Corporate financing

Portfolio acquisition

★ Residential

Hotels

Logistics

Retail

Offices

Deloitte's sample of credentials for the quarter



Healthcare

INVICTA

Amount raised:

c. PLN 100 million

Financing:

Senior loan

Lender:

Local banks

Deloitte Poland provided debt advisory services for the refinancing of existing debt and the securing of new debt to support the development of a building for a private fertility treatment network.



Hotels

Project Day

Amount raised:

£45 million

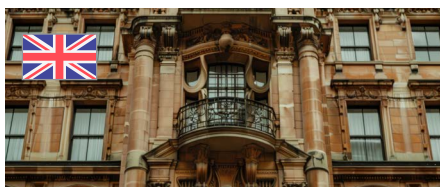
Financing:

Senior RCF + term loan

Lender:

UK Bank

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



Mixed-use

Flanders Investment Company

Amount raised:

€42 million

Financing:

Senior loan

Lender:

Belfius Bank

Deloitte Belgium provided debt advisory services to Flanders Investment Company for the refinancing of existing debt and a capex facility.



Real estate financing sectoral trends and key indicators



Offices

The European office sector remains broadly stable. Some lenders and investors are willing to increase their office allocations to lower their exposure to saturated, less liquid alternatives. However, lender selectivity is still high, with a strong focus on well-located, sustainable, high-quality assets. In major cities, prime offices continue to show resilient demand, supported by low vacancy and rental growth. This is reinforced by limited new supply, due to lengthy permitting and scarce new development opportunities. While investor appetite remains focused on core assets, stabilizing cap rates are leading to a renewed interest in value-add strategies - especially in France, Poland, and the UK - targeting older buildings in prime locations. Conversely, secondary assets face weaker fundamentals and higher vacancy, widening the performance gap between core and non-core markets.

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	50-60%	↓	150-250 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

Sentiment in the residential sector stays strong, benefiting from sustained occupier demand, limited new supply, and increasingly stringent buildings specifications that are extending delivery timelines and further limiting new supply. In Spain, Poland, Luxembourg, and the UK, interest in the living segment - including co-living and student housing - remains high. However, the scarcity of viable development opportunities and elevated construction costs are weighing on transaction volumes, particularly in the UK. In France, the living segment continues to attract lender appetite, although some have expressed concerns due to the difficulty in identifying reliable operators.

Financing				
Countries	Senior LTV Levels	Trends	Senior debt margins	Trends
Belgium	55-65%	→	125-200bps	→
Denmark	55-60%	→	80-120 bps	→
France	50-60%	→	165-185 bps	→
Germany	70-75%	→	110-130 bps	→
Ireland	50-60%	→	200-225 bps	→
Italy	40-60%	→	220-350 bps	→
Luxembourg	60-70%	→	150-200 bps	→
Poland	<75%	↑	220-260 bps	→
Spain	50-65%	→	200-250 bps	↓
Sweden	50-60%	→	150-250 bps	→
The Netherlands	60-65%	→	125-175 bps	→
United Kingdom	50-65%	→	190-225 bps	→

Source: Deloitte based on a market sounding



Retail

Trends in the European retail market continue to be uneven across countries and segments. Germany, the Netherlands, and Belgium show signs of stabilisation, with valuations levelling off and yields expected to remain steady in the near term. In Spain and Ireland, financing activity is being driven by investor appetite for prime shopping centres and retail parks with strong tenant mixes. The UK saw a sharp pickup in activity, supported by demand for shopping centres and low vacancy rates. However, the sector could face headwinds in the second half of 2025, as weakening consumer confidence and softening retail performance in certain segments and locations may dampen momentum. These concerns are already evident in France, where some lenders note rising rent arrears and increasing default rates among retailers.

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%	→	190-210 bps	→
Germany	50-60%	→	170-190 bps	→
Ireland	50-55%	→	250-325 bps	→
Italy	30-50%	→	250-350 bps	→
Luxembourg	50-55%	→	100-250 bps	→
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

Despite early signs of market moderation, logistics continues to rank among the most sought-after asset classes across Europe, underpinned by strong occupier demand and a limited pipeline of new supply. While lending activity has softened in several markets such as France, the Netherlands, Germany, and Poland, both investor and lender sentiment remain generally solid. The focus is increasingly shifting towards stabilised urban logistics and light industrial portfolios, as well as prime and energy-efficient logistics centres leased to strong tenants, and offering covenant structures with ample headroom. Larger-ticket transactions continue to attract strong competition among both domestic and international lenders. Lastly, lender appetite for development financing remains healthy although the scarcity of available land continues to constrain deal flow, driving increased interest in brownfield redevelopment, notably in Germany.

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	50-60%	→	225-275 bps	→
Italy	40-60%	→	220-300 bps	→
Luxembourg	50-60%	↓	150-250 bps	↑
Poland	<65%	↓	200-240 bps	→
Spain	50-60%	→	250-300 bps	→
Sweden	50-65%	→	150-250 bps	→
The Netherlands	55-60%	→	150-225 bps	→
United Kingdom	50-65%	→	190-225 bps	→

Source: Deloitte based on a market sounding



Hotels

Sentiment in the hotel sector remains strong across the board, supported by solid operating performance and record tourism figures. Resilient occupancy rates, coupled with sustained growth in ADR and RevPAR, have continued to support operators' EBITDA. Consistent with previous quarters, the upper end of the market continues to outperform, particularly in leisure-driven destinations. Deal flow remains robust, reflecting a value-added market largely driven by repositioning strategies and operational enhancements (Spain, Italy and France) although acquisition financing linked to platform aggregation (Spain) and refinancing of stabilized assets (the UK) also generated lending activity. In France, some lenders expressed concerns regarding the scarcity of quality operators with credible track record and therefore adopted a more selective approach.

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%	→	185-215 bps	→
Germany	55-65%	→	150-170 bps	→
Ireland	50-65%	→	275-300 bps	→
Italy	40-60%	→	220-350 bps	↓
Luxembourg	45-55%	→	150-250 bps	↑
Poland	<60%	↓	250-300 bps	→
Spain	50-65%	↑	200-300 bps	↓
Sweden	50-65%	→	150-250 bps	→
The Netherlands	50-60%	→	175-275 bps	→
United Kingdom	50-65%	→	190-225 bps	→

Source: Deloitte based on a market sounding



Luxembourg / Luxembourg team's view

Following an exceptionally strong Q4 2024 — driven by expectations of state incentives ending — the residential market experienced a sharp correction in Q1 2025. This was widely viewed as a technical adjustment, with Q2 activity rebounding as buyers rushed to complete purchases ahead of the extended tax incentive deadline in June. Mortgage volumes, which declined in early 2025, are expected to reflect this recovery. In the office market, Q2 data signals stabilised fundamentals and early signs of renewed momentum. Vacancy rates remained slightly above 5%, and prime rents held steady at €54/m². Several transactions progressed during the quarter, reflecting growing interest from both investors and occupiers, particularly for ESG-compliant space. Prime yields held at 4.90%, with potential for compression if sentiment improves, although still significantly above pre-crisis levels. Looking ahead, the outlook for H2 2025 remains cautious. Both local factors and global economic conditions are likely to encourage a wait-and-see approach among many investors and developers.

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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