

REVIEW

INVESTMENT MARKET

FRANCE Q1 2025

RESEARCH & INSIGHTS



**BNP PARIBAS
REAL ESTATE**

Real Estate for a changing world



Q1 2025

INVESTMENT FRANCE

KEY FIGURES

+3,44 %

10-YEAR OAT (End March 2025)

+0,8 %

GDP growth in France in 2025
(Forecast BNP Paribas – April 2025)



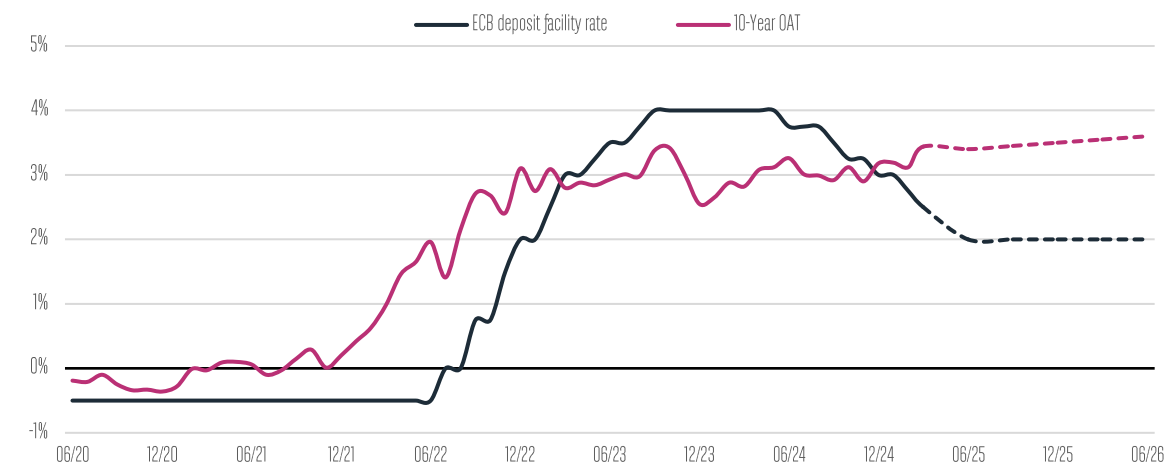
ECONOMICAL BACKDROP

CPI growth slowed to +0.8% y/y in March, after averaging +2.0% in 2024. This fall was largely due to the reduction in regulated electricity prices in February. Although inflation is no longer a major concern, the economic outlook is still uncertain, with the risk of a trade war over the US tariff hikes in early April. Nevertheless, European investment plans, such as the German stimulus package and the ReArm Europe programme, should support French growth, estimated at +0.8% in 2025 and +1.2% in 2026.

The European Central Bank has cut its key interest rates six times since June 2024, and two further cuts of 25 basis points are expected in April and June, which would bring the deposit rate down to 2.00%. The ECB's future policy decisions will depend on how inflation and eurozone economies evolve.

Lastly, after two years levelling off at around 3%, the 10-year OAT rose in Q1 in response to international tensions, reaching 3.44% at the end of March.

ECB deposit facility rate and 10-Year OAT

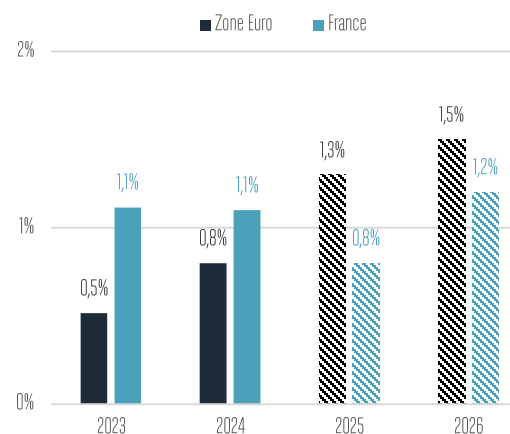


BNP Paribas – April 2025

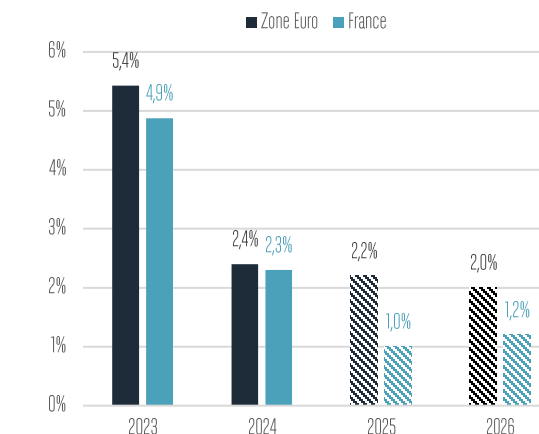


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GDP growth



Inflation



BNP Paribas – April 2025



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An encouraging first quarter: the signs of recovery seen in late 2024 appear to be continuing into early 2025.

KEY FIGURES

€ 3,9 bn
INVESTED IN Q1 2025

+21%
vs Q1 2024

151
DEALS

€ 26 M
AVERAGE SIZE



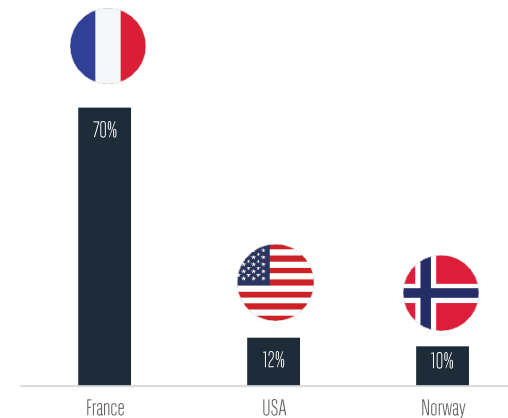
OVERVIEW

Just under €4 billion was invested in commercial real estate in France in Q1 2025, up 21% compared with Q1 2024. Although this is well below the five-year average (€5.9 billion invested in Q1 on average between 2020 and 2024), it suggests that investment in French real estate is set to pick up.

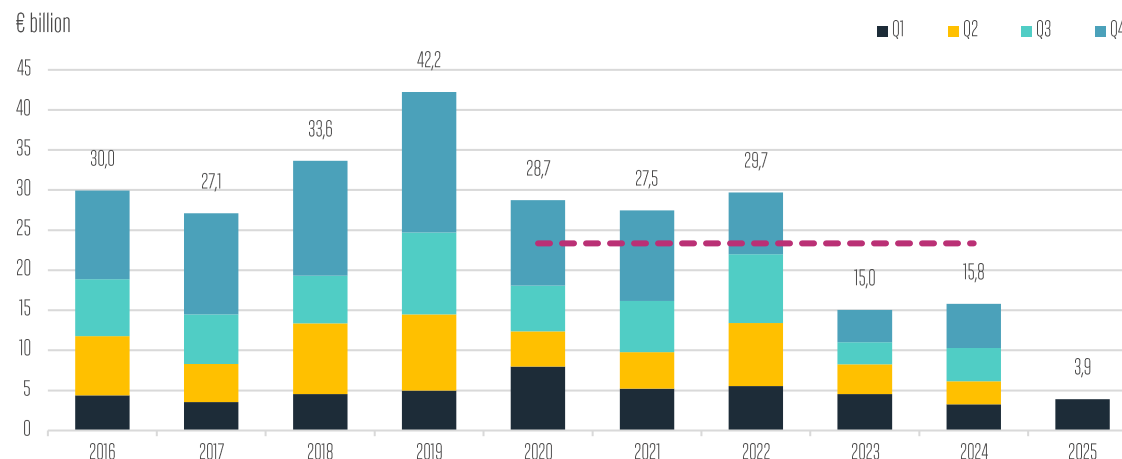
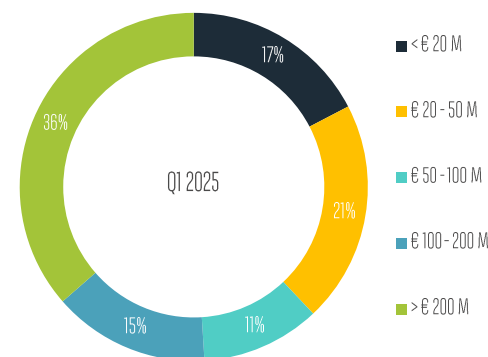
This sound performance should be seen in perspective: the market was mainly driven by three deals worth over € 200m. However, they are a positive sign for the market, confirming that investors are once again making substantial allocations, a trend that emerged at the end of 2024 and seems to be continuing into this year.

Most investors are French (70% of investment). However, the current geopolitical situation could prompt some players to pull out of North America in favour of Europe - and France could be a beneficiary.

The proactive approach of market players, along with the successive cuts to short-term interest rates, suggest that investment is set to pick up again this year. However, the recent rise in the 10-year OAT may deter some. We currently expect investment to reach around € 16bn in 2025, with stronger growth from 2026.

Investors' nationality
All asset classes

Investment in commercial real estate in France

Breakdown of investment by volume size
All asset classes

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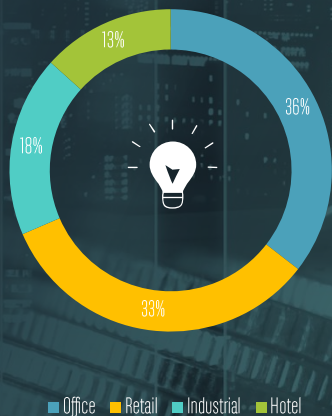


Q1 2025

INVESTMENT FRANCE

However, the overall performance belies marked differences between asset classes. The market is mainly being driven by offices in Île-de-France and retail premises.

Breakdown of investment by asset classes

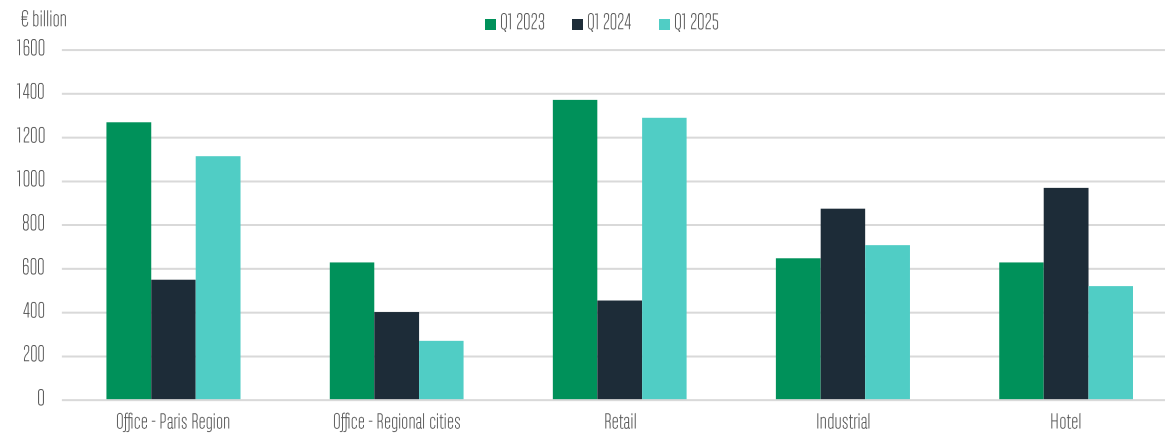


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INVESTMENT MARKET BY ASSET CLASSES

Investment by asset classes



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Major deals

TYPOLGY	ASSET CLASS	BUYER	PRICE
Retail	Portfolio KERING - France	Arrian	€ 837 M
Office	Trinity Tower - La Défense	Norges IM	€ 350 M
Retail	Forum des Halles - Paris	Caisse des Dépôts	> € 200 M
Logistic	Dourges	Edmond de Rothschild	€ 121 M
Hotel	Portefeuille Novotel Suites - France	Henderson Park	≈ € 100 M

Office

Offices are in first place with over € 1.4 bn, a long way short of the five-year average (-50%) but up +50% year-on-year. The slight upturn seen at the end of 2024 appears to have continued for office space in Île-de-France, which was driven last quarter by the sale of the Trinity tower for around € 350m. This transaction marks the return of investment to the La Défense district after a two-year hiatus. Although Paris is off to a good start this year, the same cannot be said for the regions: less than € 300m has been invested across all regional cities, i.e. a 33% decline.

Retail

The big winner in Q1 was retail, which accounted for 33% of overall investment in commercial real estate. However, this outstanding performance was mainly attributable to two major transactions, which alone accounted for more than 80% of the total. The first was the joint venture created by Kering with Arrian and two institutional investors for a portfolio of three Parisian assets worth a total of € 837m. The second was the acquisition by CDC Investissement Immobilier of a 15% stake in the Forum des Halles for more than € 200m. Other major transactions are currently being discussed. It remains to be seen whether they will culminate successfully, allowing the market to return to a level close to its five-year average (€ 3.9bn).

Industrial

After a robust 2024, driven by an excellent last quarter, the industrial premises category began 2025 with investment of around € 700m, down 19% compared to Q1 2024 and 35% below the ten-year average (€ 1.1bn). The biggest deal was the acquisition by Edmond de Rothschild of a 136,000 sqm warehouse in Dourges for € 121m. In terms of portfolios, EQT Exeter invested in two assets in Montélimar sold by Blackstone. Even though the quarterly figure is down, investor interest in this asset class remains keen, and ongoing negotiations point to a healthy 2025 in terms of volume.

Hotel

Investment in hotels began more cautiously than in 2024, with some € 520m invested in Q1 2025, but it remains above its five-year average. Notable transactions during the quarter included Henderson Park's acquisition of a portfolio of five Novotel hotels for around € 100m. Schroders Capital sold the 4-star Riviera Marriott La Porte de Monaco hotel for c.€ 85m. There were already more than 30 French hotel deals in Q1, with 37% of them for 3-star hotels.



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PRIME YIELD VARIATIONS

Q1 2025 vs Q1 2024

- 35 bps
OFFICE - PARIS CBD

- 10 bps
OFFICE - LYON

- 25 bps
RETAIL - PARIS HIGHSTREET

+ 15 bps
LOGISTIC

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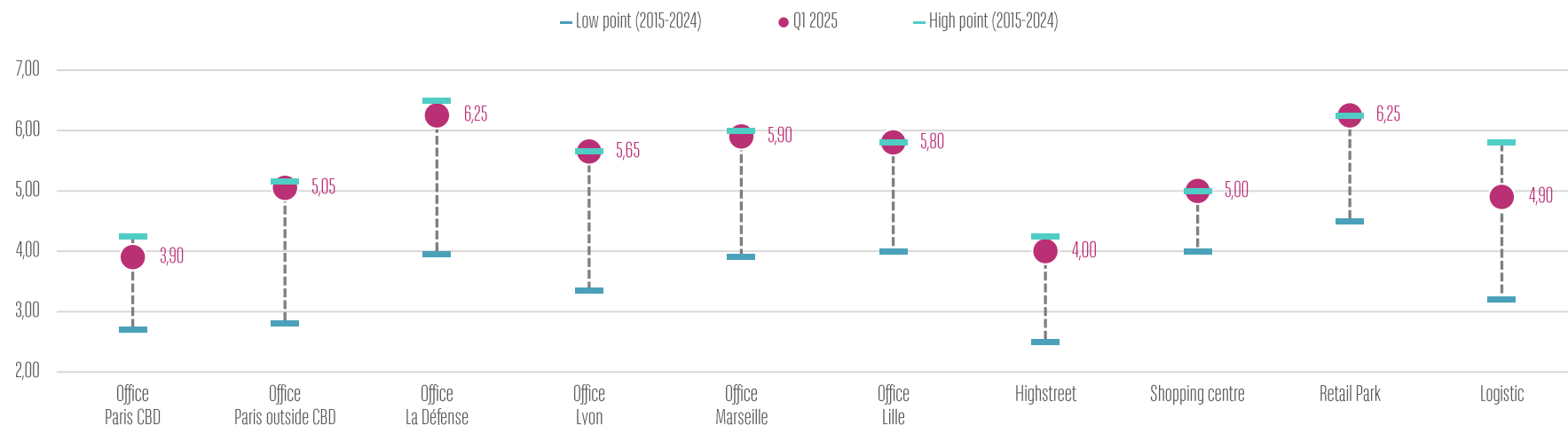
YIELDS

Although prime office yields stabilised at the end of Q1, in Paris CBD it narrowed further to 3.90%. This latest contraction confirms the solid fundamentals of the Paris market and underscores the very clear prioritisation of investors in their investment strategies. In retail, the yield for street-level stores contracted to around 4.00%. The yield for Logistics is stable at around 4.90%, but it is highly likely to narrow in 2025. These various contractions once again demonstrate the vitality of French real estate markets. However, investors' renewed interest in real estate could be undermined by recent economic and financial turmoil, at a time when bond and equity markets have rarely appeared so uncertain.



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Prime yield



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LOCATIONS FRANCE

ÎLE-DE-FRANCE

HEADQUARTER

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