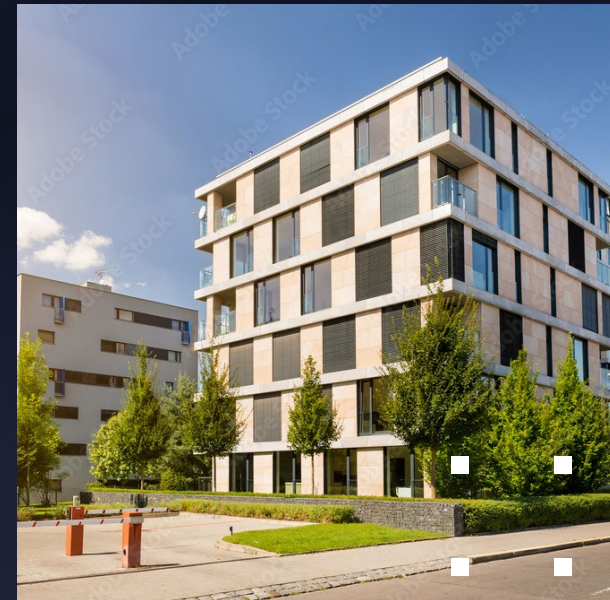


Savills Takes Stock: Global Capital Markets

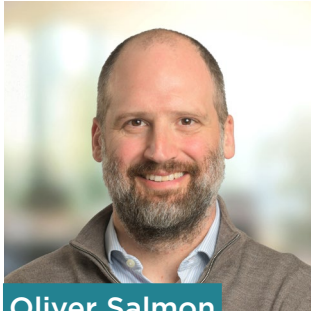
# Living Q3 2025



LIVING Q3 2025

# Global outlook





Oliver Salmon

Director, World Research

# From pause to progress

**After a subdued second quarter, global real estate capital markets have shown clear signs of recovery in Q3 2025.** Total investment reached US\$225bn in the quarter, representing a near 13% increase year-on-year. While part of this uplift can be attributed to a weaker US dollar, the underlying momentum remains strong—up 11.4% when measured in fixed exchange rates.

**More importantly, forward-looking indicators suggest that the recovery has legs.** Data on pending deals—transactions that are in contract but yet to be completed—point to a strong pipeline of activity heading into the final quarter. This is a reliable leading indicator, and supports our expectation that total investment will grow by 8% in 2025, representing a relatively robust performance given the persistent macro headwinds.

**This positive third quarter outcome is particularly striking given the market's performance in Q2.** On a seasonally adjusted basis, total investment rose by more than 7% in Q3, more than reversing the 3% decline seen in the previous quarter. At mid-year, the narrative was one of a market treading water, with investors cautious amid heightened economic uncertainty. The disruption caused by the 'Liberation Day' tariff announcements in early April was the principal reason for concern. However, it now appears that this led to temporary delays rather than a fundamental retreat from the market.

What's notable is that this shift in momentum has occurred without a material change in the broader macroeconomic environment. The economic backdrop remains complex, with ongoing concerns around trade policy,

institutional instability in the US, and geopolitical tensions. Yet, the investment market has begun to move forward, suggesting a renewed confidence among investors. Notably, many of the deals completing in the third quarter will have been originated during the chaos that followed Liberation Day.

Beyond the headline figures, there are several underlying trends that are indicative of a recovery that can be sustained. One of the most telling is the rise in average deal size, which reflects improving liquidity in larger lot sizes. The number of individual properties transacting for US\$100m or more rose by 14% on the year, while the value of portfolio and entity-level deals was 17% higher, as signs of life return to global M&A activity more generally. This is a clear signal that institutional capital is re-engaging, a critical inflection point for the market.

**Moreover, many deals are attracting multiple competitive bids.** This would suggest that buyers and sellers are increasingly aligned on pricing, consistent with a growing body of evidence in support of the conclusion that we are now past the trough in values. Genuine competition, especially for good quality assets, reflects a market that is transitioning from one driven by speculative interest and opportunistic buyers, to something more sustainable.

Sentiment indicators reinforce this view. After a dip in the second quarter, investor confidence has rebounded globally. This has happened despite little change to the interest rate backdrop. Bond yields remain elevated and increasingly detached from central bank policy rates, reflecting a rising risk premium, amid concerns over fiscal sustainability in many major developed economies. Despite this, this pricing environment appears to be largely accepted by both buyers and sellers, enabling more transactions to proceed.

**All of this is happening despite continued macroeconomic uncertainty.** While some clarity has emerged around tariffs, broader concerns remain unresolved. The latest IMF World Economic Outlook, titled "Global Economy in Flux, Prospects Remain Dim," paints a forlorn picture, highlighting risks related to trade fragmentation, institutional degradation, and geopolitical instability.



**Nevertheless, the global economy continues to demonstrate remarkable resilience.** This has been a consistent theme in recent years—from the outbreak of war in Ukraine and the inflationary surge that followed, to a generational spike in interest rates and a US President who continues to upend the traditional norms. Despite these challenges, markets are adapted and investors are finding a way to transact.

Interestingly, tariffs have now faded as a top concern to investors, replaced by growing speculation around a potential AI-driven bubble in equity markets. While some analysts highlight the risk around inflated valuations and highly concentrated equity market returns, those within the tech industry argue that it could be a “good bubble”—one driven by genuine innovation and long-term productivity gains. Both can be true at the same time.

**Nevertheless, in the real estate sector, investors appear to have decided that now is the time to act.** With development activity still muted, the supply of high-quality assets remains constrained. For occupiers seeking the best buildings in prime locations, the message is clear: they will need to pay a premium. This supply-demand dynamic is now a fundamental driver of market behaviour, and it’s encouraging the highly researched investors to re-enter the fray. Absent external shocks, momentum should build in the coming quarters.

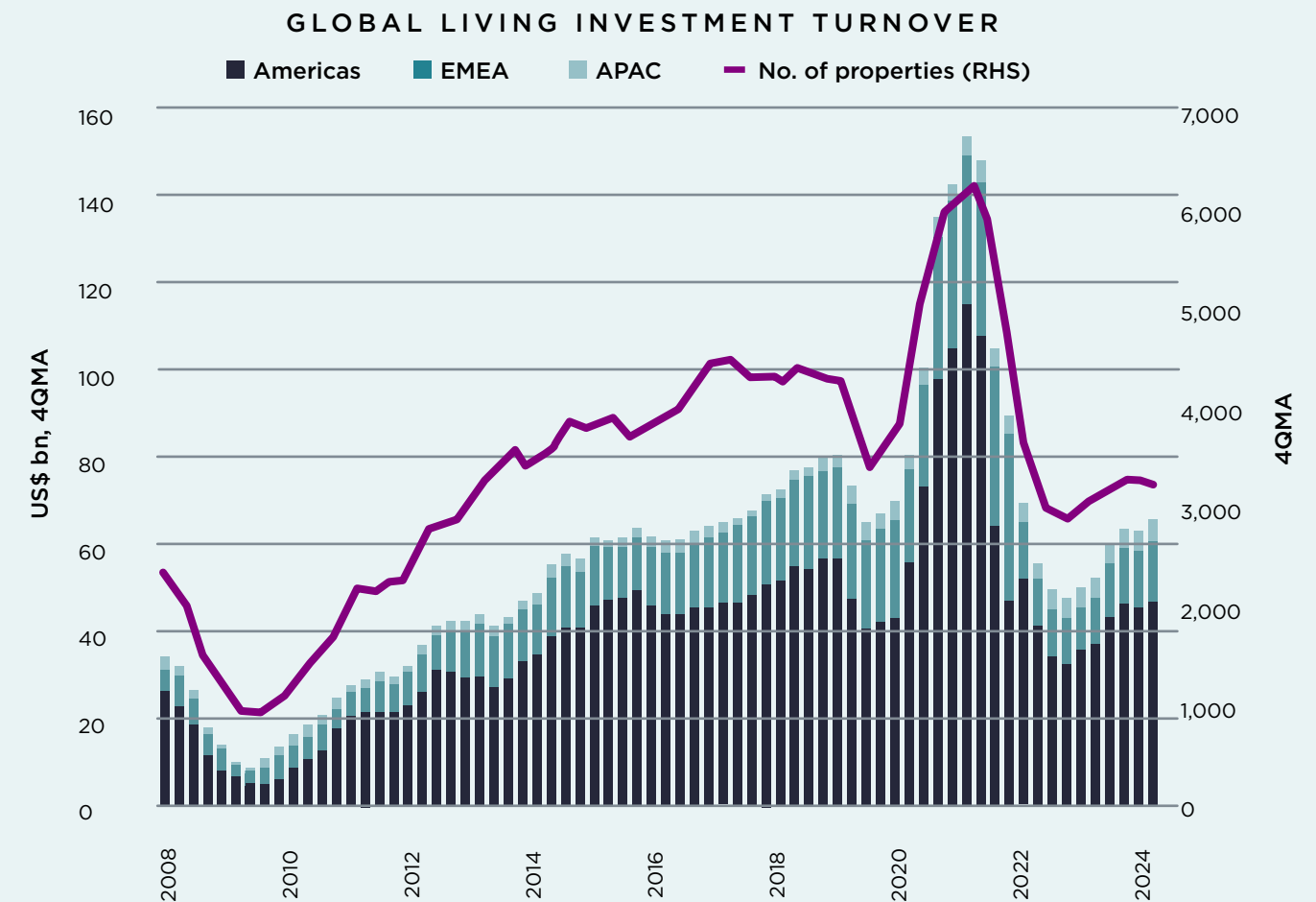
# Niche sectors lead the recovery

Global investment in the living sector rebounded strongly in Q3 2025, reaching nearly US\$70bn. This was a 19% increase on the year, and represented a solid recovery from the 5% decline recorded in Q2. The recovery was broad-based, with solid growth across all regions, although the EMEA and APAC regions stood out, driven by an increase in portfolio and M&A activity.

**Niche living sectors—particularly PBSA (Purpose Built Student Accommodation) and senior living—are outperforming multifamily in terms investor interest.** PBSA investment surged 68% year-on-year to US\$6.9bn, marking the strongest quarter since Q3 2022, when Blackstone acquired American Campus Communities for US\$12.8bn. Senior living investment rose 50% to approximately US\$9.3bn in the quarter, with the Welltower acquisition of the UK Barchester portfolio in Q4 expected to cap a strong year.

Notably, the largest transactions occurred outside the US and outside the multifamily sector, continuing a trend from the previous quarter. The standout deal was Australia's largest-ever real estate transaction, where The Living Company—the country's leading PBSA (Purpose Built Student Accommodation) operator—entered the senior living market by acquiring the Aveo platform from Brookfield.

Yields remained broadly stable on the quarter, though competitive bidding for high-quality, stabilised assets is leading to downward pressure in select markets. This is most apparent across the PBSA sector in Mainland Europe. Madrid's prime yield was brought in by 25bps this quarter—with some investors looking to other Southern European markets like Italy amidst a highly competitive market in Spain—while cities like Paris and Berlin are both expected to see some inward movement over the next 12 months.



Source: Savills Research using MSCI RCA. Based on independent reports of properties and portfolios. Excluding development sites.



**The growth in these more niche living sectors was driven by larger portfolio transactions**, reflecting their nascent market status and the strategic push by global investors to scale quickly via local platforms and operators. Over one-third of investment in student and senior living came from cross-border investors, compared with a long-term average of around 25%. US and Canadian groups were particularly active, acquiring significantly more assets by value than in 2024.

Multifamily investment rose by a more modest 14% year-on-year to US\$54.3bn, reversing a Q2 decline. Growth was driven primarily by single asset sales. Multifamily's relative underperformance stems from limited opportunities in EMEA and APAC, where markets are still developing and reliant on new stock delivery, and from sector-specific headwinds in the US.

In the US, a North-South divide is emerging, with Sun Belt markets facing oversupply and signs of distress. Average rental growth turned negative across the whole of the US in Q3, driven by a weakening labour market, low consumer confidence, and excess supply. However, grade A assets and select Midwestern, Northeastern, and West Coast cities continue to perform well. Investor caution was evident in the absence of billion-dollar transactions in Q3, with activity dominated by smaller, single asset deals.



# EMEA (Europe, Middle East, Africa)

Investment activity across EMEA saw a notable resurgence in Q3 2025, with total turnover reaching €12bn (US\$14.1bn), marking a 33% year-on-year increase.

This rebound follows a subdued second quarter and was largely driven by a surge in PBSA, which accounted for nearly €4bn (US\$4.6bn)—the strongest quarterly performance since Q2 2022.

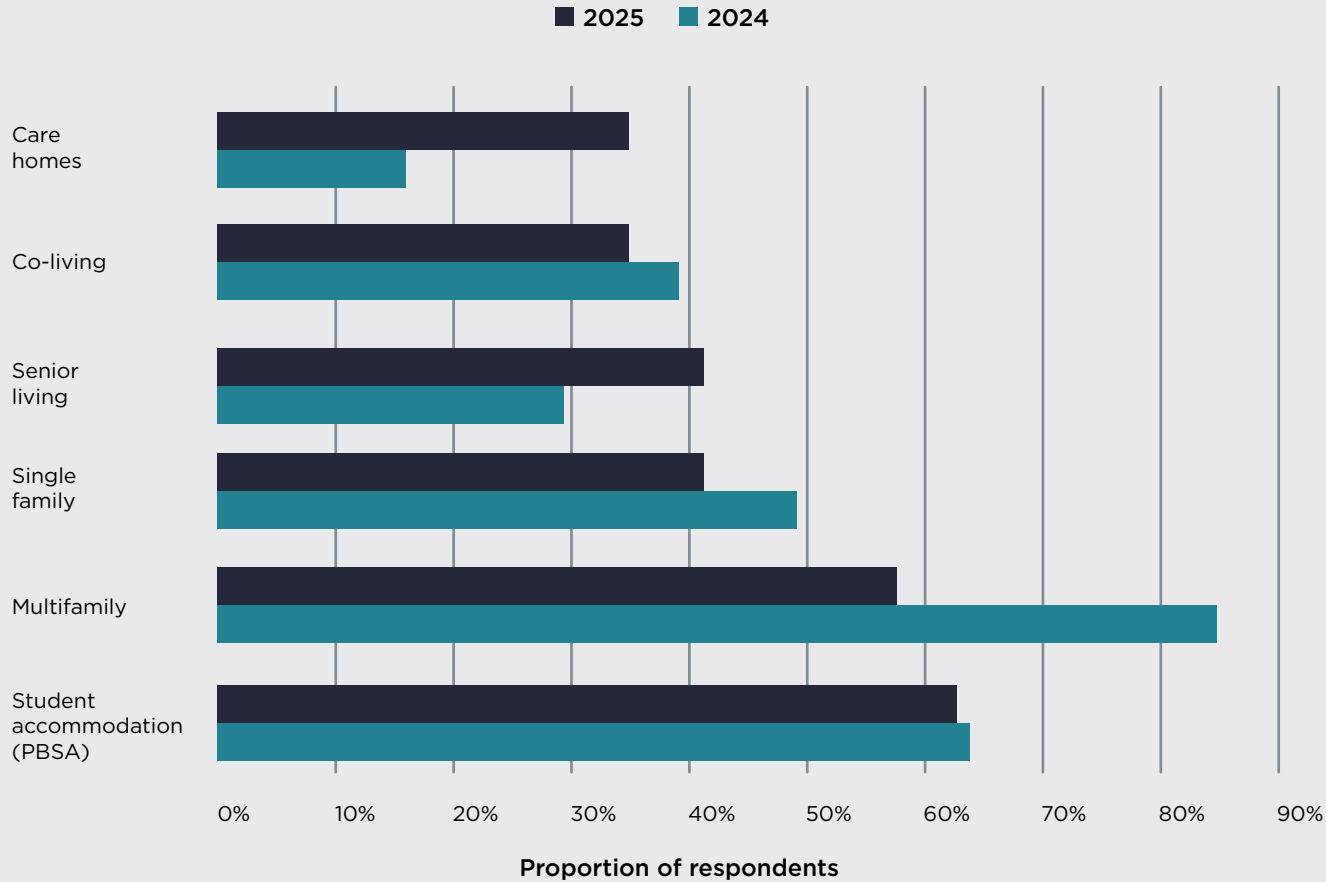
The standout transaction was the €1.9bn (US\$2.2bn) sale of Livensa Living, Brookfield’s Iberian student platform, to CPPIB, representing the largest deal in the EMEA living sector this year.

The momentum in student housing is expected to continue, with several major deals in the pipeline. Notably, Brookfield is reportedly preparing to sell its European student business, International Campus, for around €1.9bn (US\$2.2bn), encompassing over 7,000 beds across Germany, the Netherlands, Austria, and

the Czech Republic. The scale of this potential sale highlights the strength of investor demand and improving liquidity in the region.

In the UK, student housing also saw significant activity, with QuadReal acquiring Apollo’s 3,500-bed portfolio for £530m (US\$726m). Additional deals are anticipated to close before year-end, positioning 2025 to be the most active year for student investment since 2022. However, some caution is warranted. Unite’s trading update highlighted occupancy challenges in certain UK markets, reflecting the maturity and complexity of local supply-demand dynamics. While the UK favours specialist investors, mainland Europe continues to grow from a lower base, offering more straightforward opportunities.

EUROPE: TARGET OPERATIONAL REAL ESTATE SECTORS



Source: Savills Research in collaboration with Savills Investment Management.

France has emerged as a bright spot, with 2025 already the strongest year for student investment since 2019. Although much of the existing stock is older and publicly owned, this presents an opportunity for institutional investors to upgrade and deliver quality assets. Southern Europe remains a key focus however, with Spain becoming increasingly competitive. This is reflected in pricing, as prime PBSA yields in Madrid compressed by 25bps to 4.5% this quarter, aligning with more mature markets like France and the UK. Italy is also attracting attention as an alternative to Spain, particularly Milan, where a solid development pipeline is expected to drive future investment.

**Multifamily investment has seen positive growth across most major markets**, except the Netherlands. The recovery is more gradual and hasn't matched the strength of the student sector. This trend aligns with findings from our European Operational Real Estate Investor Survey, which revealed PBSA has overtaken multifamily as the most targeted sector by investors.

**Development remains challenging across the region, with limited transactional activity in both new builds and platform investments.** Growth in 2025 has been driven by single asset sales, up nearly 20% year-to-date, while portfolio deals declined by 7%. Nonetheless, confidence is returning, as evidenced by Blackstone's rumoured €1.2bn (US\$1.4bn) sale of its Spanish residential business.

Germany remains in a holding pattern, with tight yields slow to adjust to higher interest rates. Limited new stock and low levels of distress have constrained buyer activity and price recalibration. Meanwhile, emerging sectors like flex/co-living and senior living are gaining traction in the region. The latter saw a landmark deal with Welltower acquiring the Barchester portfolio in the UK for £5.2bn (US\$6.7bn), reportedly the largest care home transaction globally.



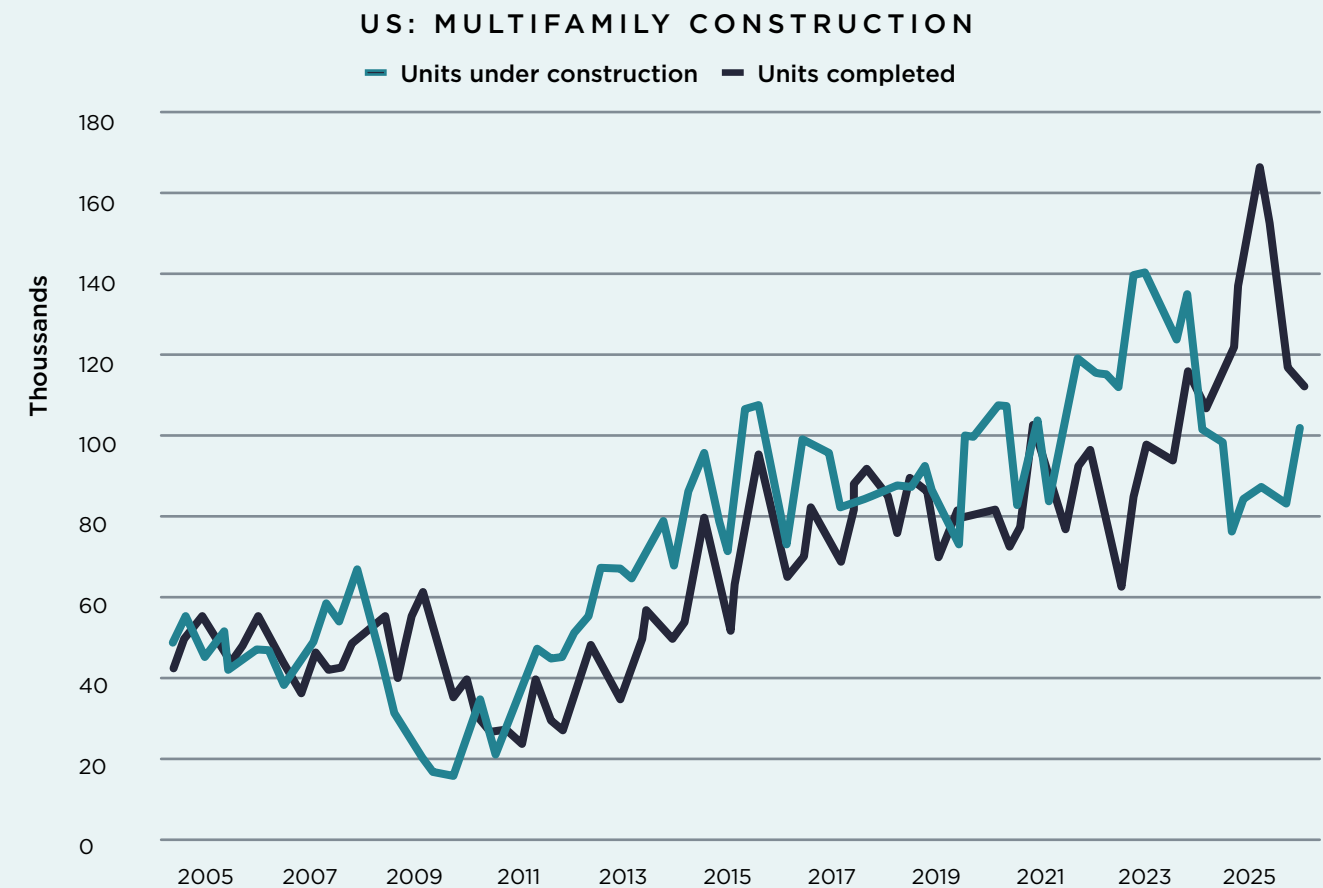
# North America

The US living sector saw a notable rebound in Q3 2025, with US\$47.5bn invested, marking an 11% year-on-year increase and the strongest third quarter since 2022. This resurgence follows a subdued Q2 and aligns with pre-pandemic investment averages. Institutional investors remained active net buyers, continuing a trend from late 2024, signalling growing confidence in sector dynamics. Cap rates have stabilised at around 5%.

Despite the uptick in investment, portfolio and entity-level transactions declined 19% year-on-year, with individual asset sales dominating. The largest deal was Naftali Group's US\$810m acquisition of a New York apartment building, reportedly backed by high-net-worth private investors from Japan, Mexico, and Israel, intended for redevelopment.

On the occupational side, demand softened in Q3. RealPage Analytics reported absorption of around 42,500 units in the quarter, a marked slowdown from the recent trend. Rental growth turned negative, although grade A properties showed more resilience. Tenant retention is high, with renewal rates above average, reducing turnover and limiting available stock. Landlords are responding with greater concessions, including rent-free periods, to maintain occupancy.

Macroeconomic headwinds—a soft labour market, declining consumer confidence, and broader instability—are weighing on the performance of the sector. However, wage growth remains firm, and the Federal Reserve's pivot toward a more accommodative policy stance may help stabilise market conditions.



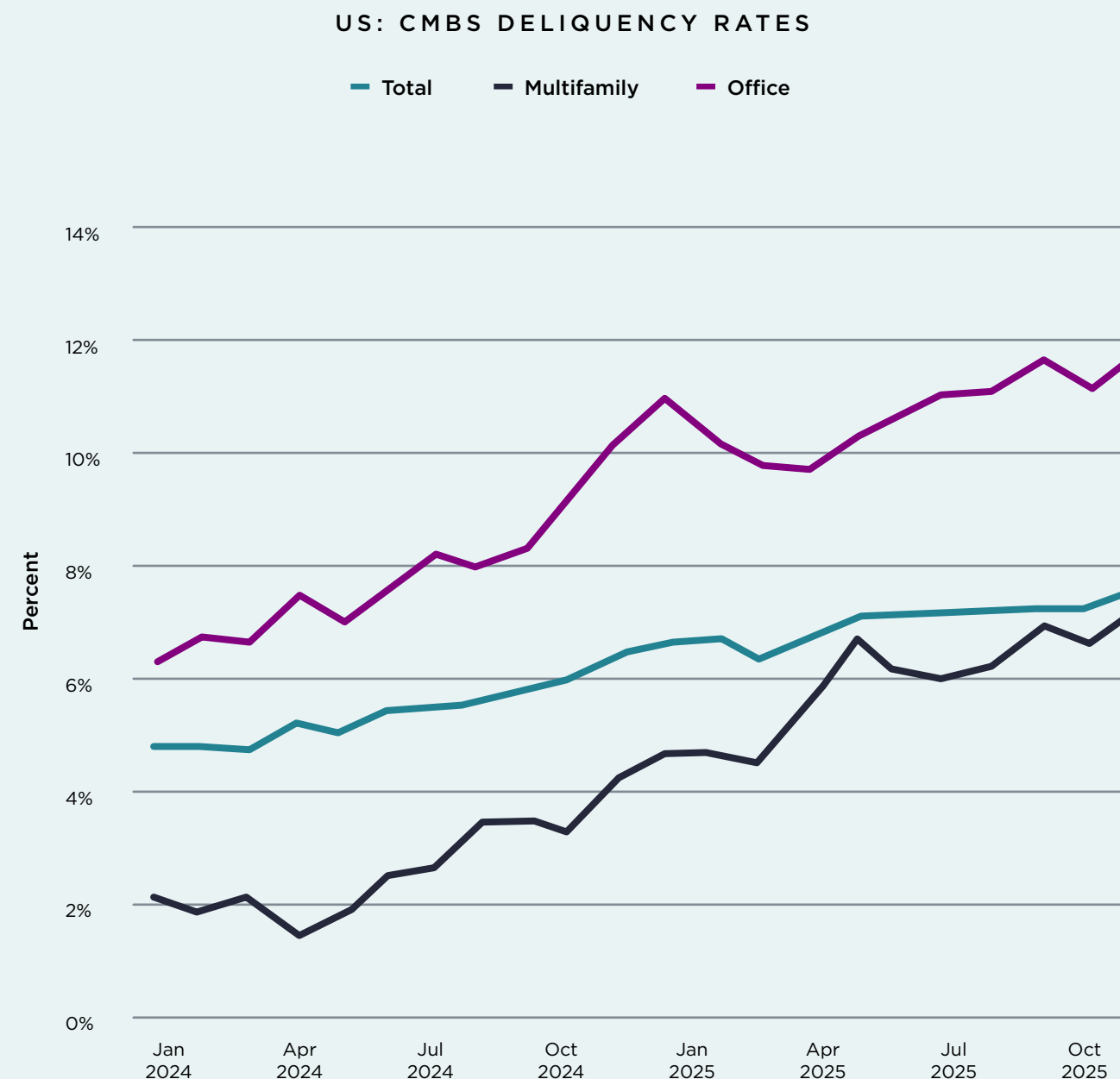
Source: Savills Research using Macrobond. Based on units in privately-owned buildings with 2 or more units.

The slowing development pipeline also provides a strong anchor to the market. While supply outpaced demand in the quarter, year-to-date demand still exceeds total new deliveries. Looking ahead, supply is expected to fall below the long-term average in 2026, although a recent pick up in new starts will start coming through in around 18 months. The Sun Belt markets face the greatest pressure due to concentrated development activity, while the Midwest remains more stable, with resilient rental growth.

**Certain urban markets are benefiting from AI sector spillover**, particularly San Francisco, San Jose, and Seattle, which are seeing strong rental demand. Large cities like Chicago, New York, and Philadelphia are also performing well, supported by return-to-office trends, low vacancy, and positive domestic migration patterns. In contrast, tourism and trade-dependent Sun Belt cities—including Nashville, Las Vegas, Houston, and Phoenix—are experiencing slowing demand.

**Investment trends generally reflect these dynamics.** New York leads the nation, with Chicago, San Francisco, and Seattle also posting strong gains. Conversely, Atlanta and Denver saw weaker investment, mirroring the soft rental performance. Washington DC experienced a sharp 45% decline in transactional activity, likely tied to anticipated weaker demand in line with reductions in government employment. There are some exceptions, including Dallas and Phoenix, which continue to attract capital despite falling effective rents, as investors bet on long-term supply-demand rebalancing. Equally, Austin and Houston also saw positive investment growth.

**Signs of distress are emerging**, exemplified by the sale of the 948-unit Park Kiely in San Jose by Greystar and Goldman Sachs for US\$370m, which contributed to strong turnover in the Bay Area. The CMBS multifamily delinquency rate has more than doubled to 7.1% over the past year—according to data collected by Trepp—second only to the office sector. MSCI meanwhile has flagged a significant volume of potential distress, underpinned by the sheer number of deals transacted during 2021/22, when valuations peaked and interest rates were still at rock bottom.



Source: Savills Research using Trepp. Percentage of CMBS marked as 30+ days delinquent.

# APAC (Asia Pacific)

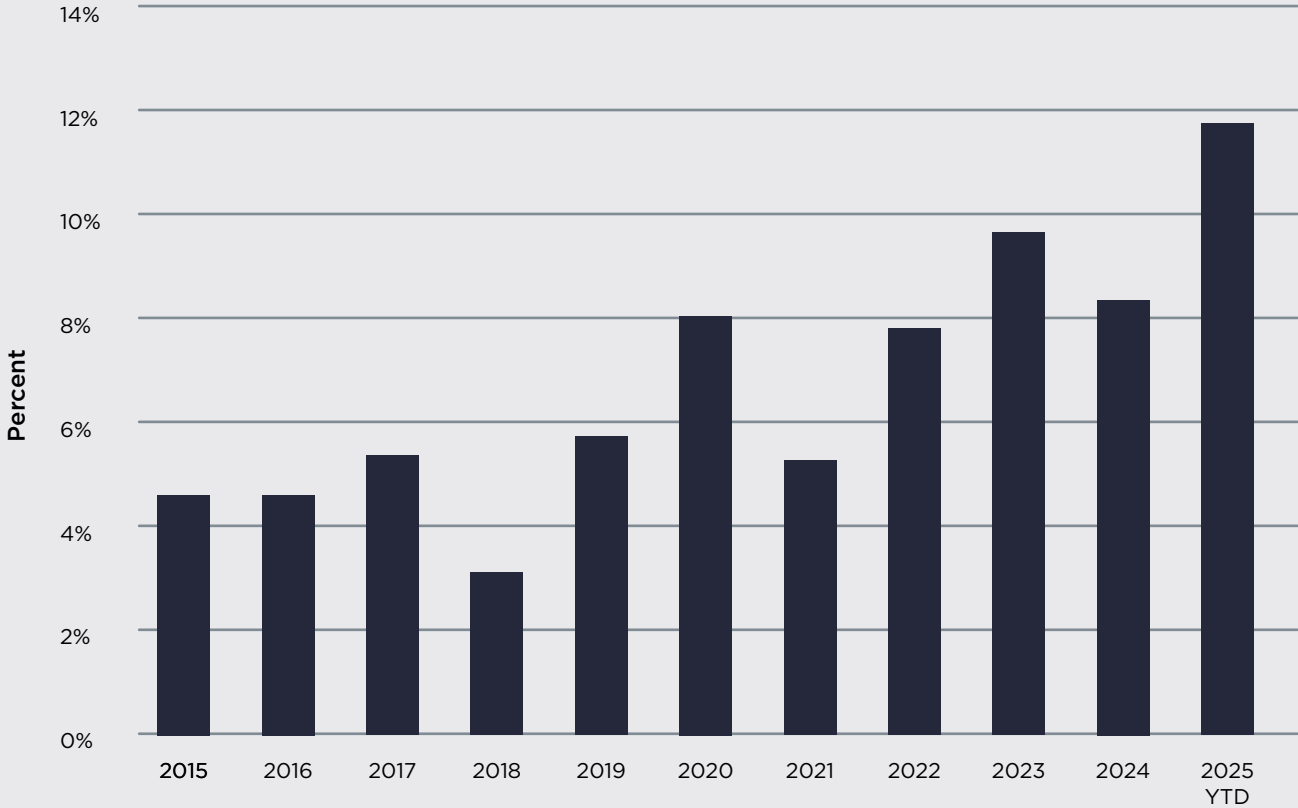
The Asia Pacific living sector recorded a landmark quarter in Q3 2025, with total investment reaching US\$6.0bn, more than double the amount seen in Q3 2024. Cumulative investment for the first three quarters of 2025 now stands at US\$15bn, already surpassing the full-year total for 2024. This marks the third strongest quarter on record and the best in five years, positioning 2025 to potentially become the strongest year ever for the sector. Notably, the living sector’s share of total real estate investment has climbed to nearly 12%, the first time it has achieved a double-digit market share.

Australia was the standout performer, driving the regional surge with A\$4.4bn (US\$2.9bn) invested—nearly double its previous quarterly record and exceeding its entire 2024 total. The headline transaction was also Australia’s largest-ever direct real estate deal: Brookfield’s

sale of senior living operator Aveo to a joint venture between The Living Company and South Korea’s National Pension Service (NPS) for A\$3.9bn (US\$2.5bn).

Excluding this deal, total investment for the quarter actually falls below the average of the last few years. However, investor sentiment for the living sector is improving, particularly for PBSA, where established performance benchmarks and greater certainty around student enrolment caps (post federal election) are supporting confidence. PBSA operational performance remains robust, underpinned by high occupancy levels and sustained rental growth. New entrants and investors are actively exploring the sector, though opportunities are limited, with the market largely controlled by a small number of existing owners and operators. Most opportunities are

APAC: SHARE OF LIVING SECTOR IN TOTAL INVESTMENT



Source: Savills Research using MSCI RCA. Based on independent reports of properties and portfolios. Excluding development sites.

development-led, meaning international investors typically need to partner with local managers or developers to gain access.

The residential market remains tight, with national vacancy at just 1.2% (SQM Research). Supply shortages continue to drive rental growth, with rents up 4.8% year-on-year, broadly in line with average earnings growth. This is unlikely to change soon, as high construction costs and labour shortages continue to constrain new supply. Investors are assessing the performance of early projects, in what is a nascent Build-To-Rent (BTR) sector, which will inform and shape the next wave of capital deployment. Meanwhile, the limited stock of stabilised assets is constraining transactional activity.

**In Japan, Q3 investment reached ¥305bn (US\$2.1bn), up nearly 10% year-on-year, driven by increased portfolio activity.** A notable deal was Weave Living's acquisition of 11 Tokyo assets comprising around 300 rental units for ¥20bn (US\$135m). Rental growth across Tokyo's 23 wards exceeded 8% year-on-year in Q3, supported by net inward migration and positive wage growth. While affordability pressures in central wards are tempering demand, peripheral areas are benefitting. A greater than 20% rental premium persists between the central five wards and the broader 23-ward area. As of August 2025, Tokyo recorded a net inflow of over 81,000 residents, with foreign nationals contributing significantly to apartment demand due to their higher propensity to rent.

**Outside of Australia and Japan, regional investment totalled around US\$800m.**

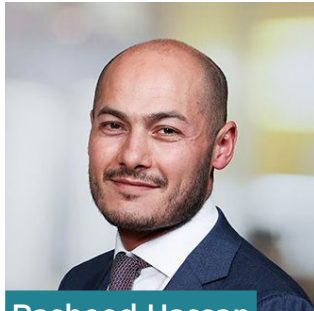
Key sub-markets included Hong Kong, where TPG Angelo Gordon and Wang On Properties acquired a hotel for student housing conversion at a reported discount, and Singapore, where Centurion Accommodation REIT acquired a S\$600m (US\$470m) purpose-built worker housing asset in the same month as they successfully listed on the Singapore Stock Exchange.



LIVING Q3 2025

# Market view





Rasheed Hassan

Head of Global Cross Border Investment  
*shares his view on the market*

It seems real estate capital markets have shaken off another economic shock, this time from the US tariff policies, and investment turnover is increasing again. The resilience of the real estate markets continues to play out and it shows us that there remains a steady flow of capital from existing and new sources for the sector.

As we approach the new year, there are reasons to be positive. From a macro perspective, interest rates are falling (save for Japan), inflation is largely under control, resolutions to the war in the Middle East are emerging, I could go on. In the real estate markets, as referenced in these reports, every sector is experiencing rental growth—at least in the majority of geographies—the volume of larger transactions is increasing, and we continue to see growing evidence of yield compression. We are even seeing more

positive than negative news about offices, including in the US...who knew?!

There are areas that remain challenging. We have highlighted logistics rents on the US West Coast, and continuing difficulties in the Greater China markets. In the round though, these are largely contained to specific markets, and in a general sense we can be positive.

More of a worry for me personally right now is the negativity emanating from the equity markets. There is a growing view that there is a bubble waiting to burst, driven by the AI sector, and that issues are emerging in the private credit space. These issues are causing the start of a sell-off and price falls in equities. Just when we thought we were through the extended period of major disruption, we could be at the start of something else.

**What does this mean for real estate?**

AI and the tech sector more broadly is clearly closely correlated with the data centre market, which is booming, so we could see a slow down here. If there really is an issue in the private credit space, then the lending environment more generally could tighten, albeit I feel that the sheer weight of capital will mean that overall the debt markets will remain very much open for business.

**PRIME LIVING YIELDS, Q3 2025 (AS AT END-SEPTEMBER)**

City	Sub-sector	Prime net initial yield	Outlook for yields, next 12 months	Typical LTV	Total cost of debt	Cash-on-cash yield	Risk premium
Tokyo	Multifamily	3.40%	➡	60%	1.3%	6.6%	1.8%
Berlin	Multifamily	3.60%	⬇	55%	3.7%	3.5%	0.9%
Copenhagen	Multifamily	3.85%	⬇	63%	3.4%	4.6%	1.3%
Madrid	Multifamily	3.90%	⬇	55%	4.1%	3.7%	0.7%
Sydney	Multifamily	4.13%	➡	55%	5.5%	2.4%	-0.2%
Melbourne	Multifamily	4.25%	➡	55%	5.5%	2.7%	0.0%
Paris	Multifamily	4.25%	⬇	55%	3.7%	4.9%	0.7%
London	Multifamily	4.35%	➡	60%	5.3%	2.9%	-0.4%
Stockholm	Multifamily	4.50%	➡	60%	3.6%	5.9%	1.6%
Paris	Student	4.50%	⬇	55%	3.7%	5.5%	1.0%
Madrid	Student	4.50%	➡	55%	4.1%	5.0%	1.3%
London	Student	4.50%	➡	60%	5.3%	3.3%	-0.3%
Berlin	Student	4.70%	⬇	55%	3.7%	5.9%	2.0%
Sydney	Student	4.75%	➡	55%	5.5%	3.8%	0.5%
Melbourne	Student	5.25%	➡	55%	5.5%	4.9%	1.0%

Source: Savills Research and Macrobond.  
Note: Yields may be different to quoted values in markets where the convention is to use a gross rather than net value. Values based on end-of-quarter data. See methodology for details.

**Methodology:** Net initial yields are estimated by local Savills experts to represent the achievable yield, including transaction and non-recoverable costs, on a hypothetical grade A asset of institutional scale, in a prime location, fully let. The risk premium is calculated by subtracting the end-of-period domestic ten-year government bond yield (as a proxy for the relevant risk-free rate of return) from the net initial yield. Data is end-of-quarter values.

If there is broader contagion and we see a widespread decline in equity market pricing, then in the near term we could see a focus on certain parts of the real estate markets, as investors look to the security of real assets with predictable contractual income streams, which is clearly a positive. This could also lead to price appreciation for the most scarce / prime assets, as the focus moves (particularly from private investors) to safe haven items, which is when the flight to core real estate is akin to the flight to gold.

However, looking beyond the near term, a meaningful drop in the value of equity markets is not a positive, as we will start to see the denominator effect play out, where groups become 'over-allocated' to real estate simply because the values of their equity investments have fallen. This is a particular issue for the largest global institutional investors, who invest within relatively clear allocation parameters. These investors have a dramatic effect on global real estate markets, as they drive turnover both through their direct investing activity, as well as their investment into funds.

When the institutional investors pause, it gives room for private investors to be more active, which is a common trend we see during moments of challenge, as they are less accountable to investment committees, but the weight of this capital is not equal, particularly for larger transactions.

Fortunately, owing to the recent boom in equity markets, many institutions will be under-allocated to real estate going into the new year, which could represent a boon for fundraising. Let's hope this latest potential storm is contained to a teacup. This is what I will be asking Santa for anyway.



LIVING Q3 2025

# Key transactions



# Aveo Senior Housing, Australia

Sub-sector:	Senior living
Units:	10,000
Price/NIY:	A\$3.85bn (US\$2.5bn) / Undisclosed
Vendor:	Brookfield Asset Management
Vendor nationality:	Canada
Purchaser:	The Living Company and South Korea's National Pension Service (NPS)
Purchaser nationality:	Australia and South Korea
Other comments:	Reportedly the largest ever real estate transaction in Australia, The Living Company—Australia's largest PBSA operator via the operating platform Scape—has entered the senior living market by acquiring the Aveo platform, consisting of 65 retirement villages located across Queensland, New South Wales, Victoria, and Tasmania. Brookfield previously acquired Aveo in a take private deal in 2019 for A\$1.3bn.



# Livensa Living portfolio, Spain

Sub-sector:	PBSA
Units:	9,000
Price/NIY:	€1.2bn (US\$1.4bn) / Undisclosed
Vendor:	Brookfield Asset Management
Vendor nationality:	Canada
Purchaser:	Canada Pension Plan Investment Board (CPP Investments)
Purchaser nationality:	Canada
Other comments:	Nido Living, the specialist student-led accommodation platform owned by CPP Investment, acquired Livensa Living portfolio, one of the largest PBSA platforms in Iberia, consisting of 9,000 beds across 22 operational properties, and two under development, located in 13 university cities across Spain and Portugal, including in Madrid, Barcelona, and Lisbon. Savills acted as advisor to the purchaser.



**Savills Research**

We're a dedicated team with an unrivalled reputation for producing well-informed and accurate analysis, research and commentary across all sectors.

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