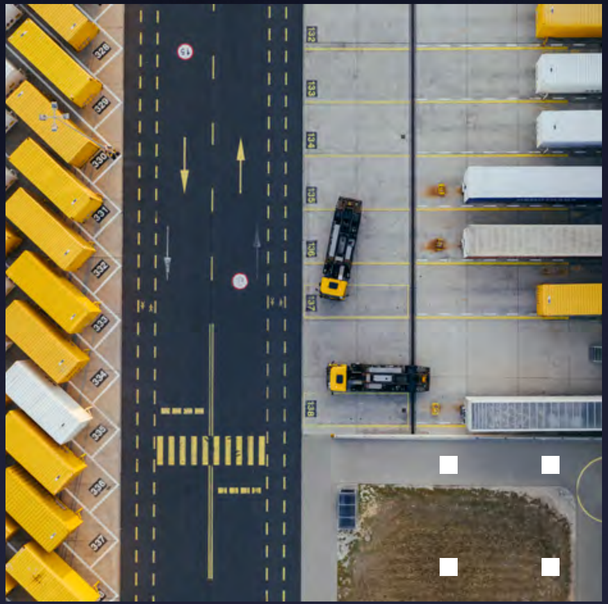
Q2 2025

Savills Takes Stock: Global Capital Markets



savills

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Q2 2025

Global outlook

Oliver Salmon

Director, World Research

Treading water in turbulent seas

The global economic narrative remains heavily influenced by the actions of the US President, fuelling geopolitical volatility and uncertainty around growth prospects. Despite emerging cracks, the global economy has shown resilience. Equity markets continue to rise and activity levels remain largely unaffected, despite sentiment-based indicators showing some weakness.

Amidst the uncertainty, global real estate markets are treading water, although several preconditions for recovery are in place. A base level of activity persists, with US$193bn transacted in Q2 2025. This is supported by improved sentiment and willingness to transact, a greater acceptance of pricing from both buyers and sellers, and continued broad strength in occupational markets. However, global investment declined by nearly 5% compared to Q2 2024, marking a reversal in momentum relative to the second half of last year.

Fundraising data reflects a similar trend. Nearly US$42bn was raised globally in Q2, according to RealfinX.

This marks the second consecutive quarter of growth, though the figure was boosted by the final close of Blackstone's latest European opportunistic fund. Fundamentally, cash being returned to LP's from existing investments is restricting the capital available for reinvestment. A sustained recovery in fundraising then depends on a revival in transactional activity.

This current state of inertia is underpinned by two factors. **First, long-term interest rates have remained largely unchanged since the start of the year, despite central bank rate cuts.** This is due to a rising term premium, particularly in the US, where concerns over fiscal sustainability have grown following the passage of the 'One Big Beautiful Bill'.

Fiscal sustainability concerns are not confined to the US. The UK, France and Japan face similar issues. Meanwhile in Germany, the relaxation of the debt brake will lead to a significant increase in debt issuance over the next decade to fund defence and infrastructure.

While default risk remains low, persistent fiscal deficits mean investors will demand higher compensation to absorb increased debt issuance, especially in a volatile macroeconomic environment and amid central bank balance sheet reduction.

This dynamic is compressing the risk premium at a time when it arguably should be expanding. Property yields have largely stabilised, except in markets with specific occupational challenges, suggesting a consensus forming on real estate values. However, the outward shift in yields over the last few years has not mirrored interest rate movements, possibly due to expectations of an overshoot in rates amid the global inflation battle.

The second factor behind the subdued transactional market is broader macroeconomic uncertainty. Real estate does not operate in a vacuum, and global instability is clearly weighing on activity. This is not just about tariffs, but the on-off nature of tariffs is not helping. Recent 'deals' with major trade partners, including the EU, Japan and China, should help in this regard. More than anything, investors are looking for certainty to make informed decisions about the future – it is probably naive to believe that these agreements will draw a line in the sand.

With tight risk premiums, there is limited room for yield compression. To meet return expectations, investors are relying on continued strength in occupational markets. From a demand perspective, this depends on the global economy's resilience, which supports leasing demand and rental growth. Elevated uncertainty, volatility and policy by social media clearly act as an impediment to a recovery in deal flow.

On the supply side, the outlook is more encouraging for investors. The same factors stalling transactions are also making new developments difficult. Many global markets face a shortage of the type and quality of buildings tenants seek. This is unlikely to change soon, given the data on new starts and the long lead times for completion.

Overall, the current environment favours a more discerning investor – with a clear understanding of supply-demand dynamics and a comfort with the underlying balance of risk. Investors with strong market presence and sector-specific expertise are best positioned to navigate these early-cycle dynamics. For others, the temptation to remain inactive persists. This may continue to limit the pace of the recovery.

Rasheed Hassan

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

It is currently much harder than normal to extrapolate trends from data. Transaction levels remain so low, that the presence (or lack) of one or two large transactions in a given sector or geography is skewing data in disproportionate ways. As such, the stats are telling us less of a story right now.

My overwhelming feeling right now is the sense of acceptance is growing. Acceptance from sellers that interest rates are most likely going to remain higher than they had hoped and so pricing isn't going to dramatically change in the near term; and acceptance from buyers that there is very little desperation in the market and bold underwriting will need to be adopted to acquire assets that fall into an 'Investment Committee comfortable' category. The net result is relatively unexciting and we are collectively missing the momentum we crave.

The lack of available opportunities is the biggest factor in keeping the turnover levels where they are. There is definitely more capital than there is opportunity. We have said previously that there is a pent up body of assets that will need to be sold at some point, given the structures that they are held in. However, for now refinancing offers are looking more attractive than outright disposals.

This leads to another point around the abundance of capital, but this time in the credit space. Low transaction turnover is meaning lenders are struggling to find suitable situations to deploy the vast sums of equity raised for debt strategies. The result is that competition is pushing down margins, increasing LTV's and softening covenants. It is therefore somewhat predictable that sponsors are being pleasantly surprised on the upside, when doing hold / sell analyses.

So we end up in a market where pricing is pretty stable for now and it is hard to see what the catalyst will be for a major rise in transaction numbers. In order for that to happen, in my view the market needs is a shock, positive or negative.

PRIME LIVING YIELDS, Q2 2025 (AS AT END-JUNE)

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%	2.0%
Berlin	Multifamily	3.60%	↓	55%	3.6%	3.6%	1.0%
Copenhagen	Multifamily	3.85%	↓	63%	3.3%	4.7%	1.3%
Madrid	Multifamily	3.90%	↓	55%	4.0%	3.8%	0.7%
Sydney	Multifamily	4.00%	→	55%	5.7%	2.0%	-0.2%
Paris	Multifamily	4.25%	↓	55%	3.6%	5.0%	1.0%
Stockholm	Multifamily	4.25%	→	60%	3.7%	5.1%	1.5%
London	Multifamily	4.25%	→	60%	5.1%	3.0%	-0.2%
Melbourne	Multifamily	4.50%	→	55%	5.7%	3.1%	0.3%
Paris	Student	4.50%	↓	55%	3.6%	5.6%	1.2%
London	Student	4.50%	→	60%	5.1%	3.6%	0.0%
Berlin	Student	4.70%	↓	55%	3.6%	6.0%	2.1%
Madrid	Student	4.75%	↓	55%	4.0%	5.7%	1.6%

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.

PRIME LOGISTICS YIELDS, Q2 2025 (AS AT END-JUNE)

City	Prime net initial yield	Outlook for yields, next 12 months	Typical LTV	Total cost of debt	Cash-on-cash yield	Risk premium
Tokyo	3.30%	→	60%	1.3%	6.3%	1.9%
Hong Kong	4.08%	→	40%	3.5%	4.5%	1.3%
Cologne	4.40%	→	55%	3.6%	5.4%	1.8%
Madrid	4.55%	→	55%	4.0%	5.2%	1.4%
Sydney	4.75%	↓	53%	5.3%	4.2%	0.6%
Île-de-France	4.75%	→	55%	3.6%	6.2%	1.5%
Amsterdam	5.00%	→	55%	3.6%	6.7%	2.7%
London	5.00%	→	60%	5.1%	4.9%	0.5%
Northern New Jersey	5.25%	→	60%	6.3%	3.8%	1.0%
Los Angeles	5.25%	↑	60%	6.3%	3.8%	1.0%
Shanghai	5.25%	↑	50%	3.7%	6.8%	3.6%
Chicago	5.50%	→	60%	6.3%	4.4%	1.3%
Seoul Metropolitan Area	5.50%	↓	60%	5.0%	6.3%	2.7%
Houston	5.75%	→	60%	6.3%	5.0%	1.5%
Singapore	6.50%	→	55%	2.9%	10.9%	4.3%
Dubai	7.50%	→	50%	7.0%	8.0%	3.3%

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. Yields in Singapore reflect the domestic land tenure system, where the longest lease for new industrial properties is 30 years. 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 big-box logistics facility located in a prime location, fully let to a single good profile tenant on a 10–15 year open-market lease. The typical LTV and cost of debt represent the anticipated lending terms available in each market. Cash-on-cash returns illustrate the initial yield on equity, assuming the aforementioned LTV and debt costs. The risk premium is calculated by subtracting the end-of-period domestic 10-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.

PRIME OFFICE YIELDS, Q2 2025 (AS AT END-JUNE)

City	Prime net initial yield	Outlook for yields, next 12 months	Typical LTV	Total cost of debt	Cash-on-cash yield	Risk premium
Hong Kong	1.99%	→	40%	3.5%	1.0%	-0.9%
Tokyo	2.60%	→	60%	1.3%	4.6%	1.2%
Singapore	3.88%	→	55%	2.9%	5.0%	1.7%
Paris	4.00%	↓	55%	3.6%	4.5%	0.7%
Seoul	4.25%	→	60%	4.0%	4.6%	1.4%
Milan	4.25%	↓	55%	4.2%	4.3%	0.8%
Frankfurt	4.50%	→	55%	3.6%	5.6%	1.9%
Madrid	4.65%	↓	55%	4.0%	5.4%	1.5%
Shanghai (Lujiazui)	5.00%	↑	50%	3.5%	6.5%	3.4%
London (City)	5.25%	↓	60%	5.1%	5.5%	0.8%
New York	5.50%	→	55%	6.5%	4.3%	1.3%
Sydney	5.85%	↓	53%	5.4%	6.4%	1.7%
Dubai	6.75%	→	50%	7.0%	6.5%	2.5%
Los Angeles	8.00%	→	55%	6.5%	9.8%	3.8%
Mumbai	8.25%	↑	60%	9.5%	6.4%	1.8%

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 building located in the CBD, over 50,000 sq ft in size, fully let to a single good profile tenant on a long lease. The typical LTV and cost of debt represent the anticipated competitive lending terms available in each market. Cash-on-cash returns illustrate the initial yield on equity, assuming the aforementioned LTV and debt costs. The risk premium is calculated by subtracting the end-of-period domestic 10-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.

Savills Takes Stock: Global Capital Markets

Living

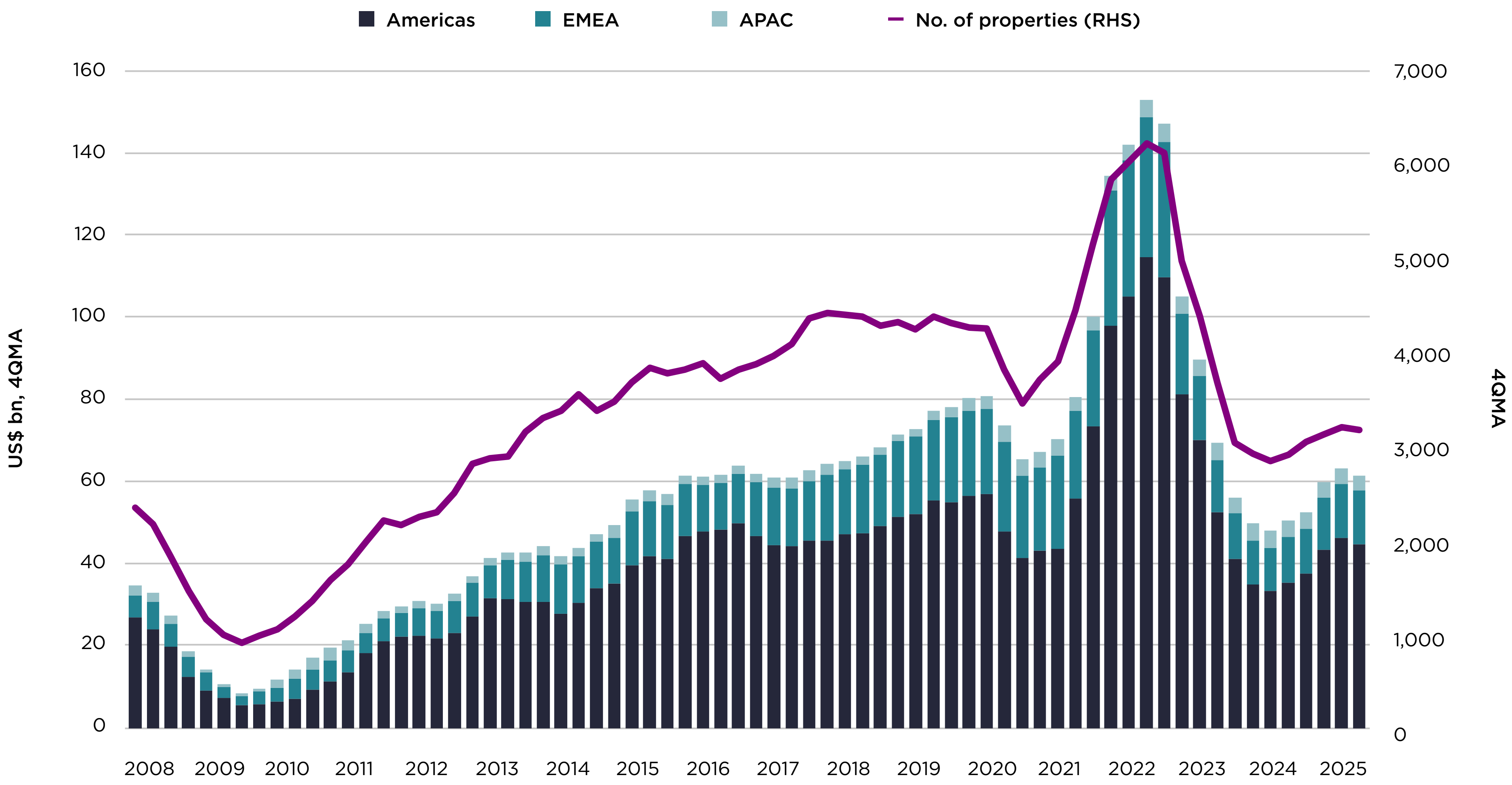
Global living: momentum shifts mid-year

Global investment in the living sector hit US$58bn in the second quarter, falling 9% on the year. This, however, followed a good start to 2025, leaving the half-year up by nearly 8%. The slowdown in the second quarter was underpinned by a 31% decline in the aggregate value of portfolio transactions, with the US market seeing a 50% decline – perhaps in response to wider uncertainty in the economic and political environment (albeit coming off a good base).

The largest deals to complete in the quarter were outside the US. In Australia, Greystar and Future Fund acquired a controlling stake in a student portfolio for US$1bn, while in Sweden, Brinova purchased a multifamily portfolio for a similar value. Likewise, the pipeline for major transactions appears more robust outside the US, especially when considering the relative size of these markets, with several deals in excess of one billion dollars expected to transact in Europe and APAC in Q3.

A decline in investment across single and multifamily was partially offset by growth in other, more niche, living sectors.

GLOBAL: LIVING INVESTMENT TURNOVER



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

Investment in senior living is up by over 80% year-to-date, headlined by CareTrust's acquisition of Care REIT in the UK, as well as other major transactions in the UK, US and Germany. There was also robust growth in activity across student accommodation, up 15% in the first half, underpinned by solid turnover in the US, UK and Australia.

Investor demand remains firm, with a lack of opportunities to deploy holding back activity in some markets. This is particularly evident in student accommodation across much of Western Europe, as well as the multifamily sector in Japan. In other markets, such as multifamily in the US and Australia, and student in the UK, entry yields remain relatively tight, particularly when benchmarked against other commercial sectors. In the latter, the benchmark prime yields increased by 25bps this quarter.

Appetite to transact remains grounded in the strength of occupational markets. In the US, a record influx of new supply is being absorbed with limited disruption, given robust tenant demand. This trend is set against a backdrop of low house-purchase affordability, with the 30-year fixed mortgage rate hovering around 6.75%. This is particularly true the further north you head, with southern markets generally bearing the brunt of the post-Covid construction boom.

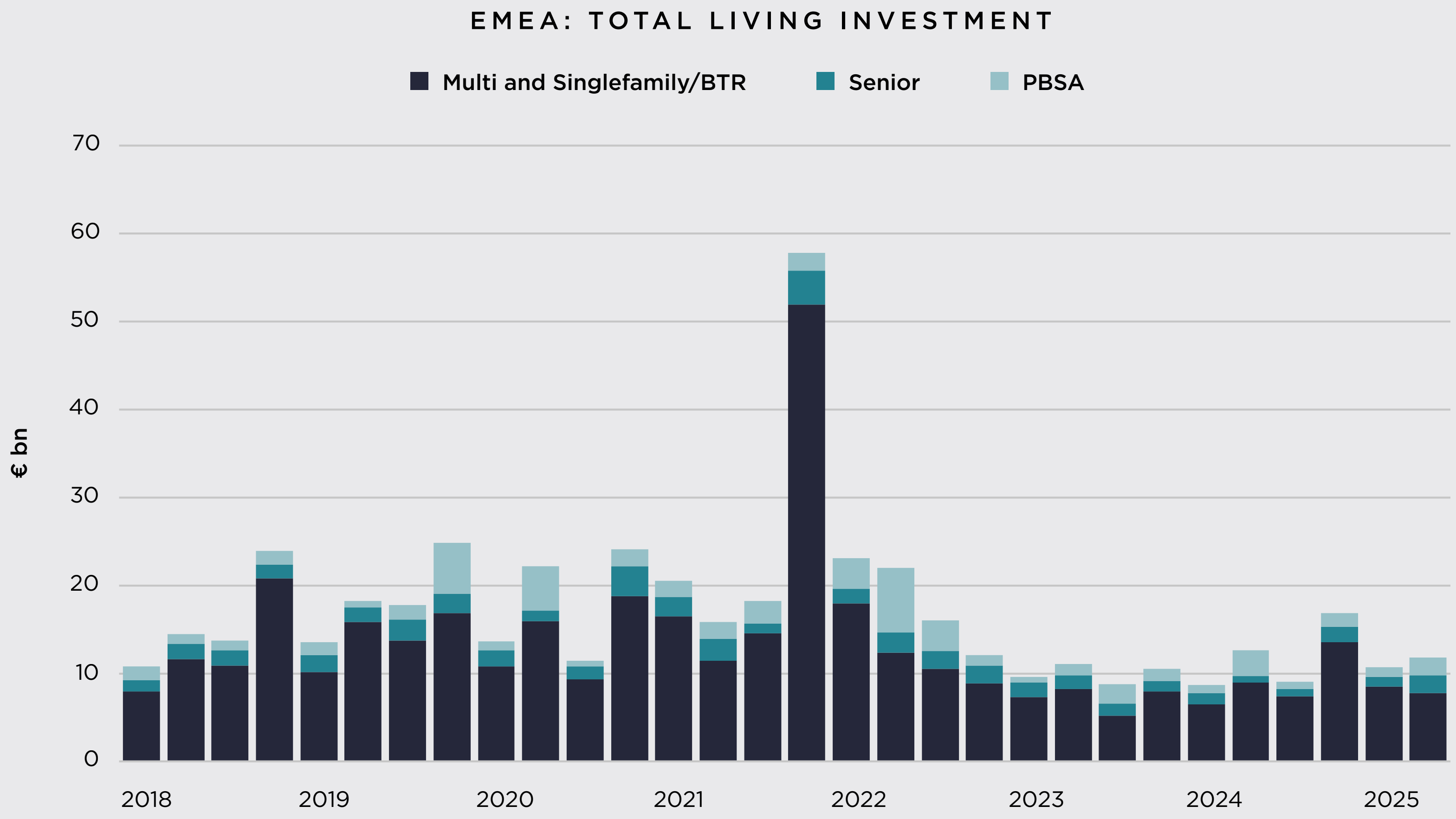
Similar trends are evident globally, albeit largely without the same supply dynamics. Across the EU, for example, permits for buildings with two or more dwellings fell by 3.4% in Q1 2025. In the UK, new starts in the first half of 2025 were around 40% lower than the pre-Covid trend. And in Japan, newly introduced energy efficiency standards underpinned a sharp decline in new starts in the second quarter. These trends will continue to put upward pressure on rents and support the underwrite for existing stabilised assets in these locations. Although, in many of these supply-constrained markets, rental affordability is a growing concern amidst several years of above-inflation growth.

EMEA

Total investment of €11.9bn (US$13.3bn) across the EMEA living sectors represented a 5% decline on the year. Unlike the first quarter, regional investment was more evenly distributed across the region, with Denmark, France, Germany, Sweden and the UK all seeing investment of over one billion euros in the quarter. A strong start to the year means that the year-to-date remains up on the same period in 2024. In Spain, while very little transacted in the quarter, investor interest is no less diminished, underpinned by a good story driving rental growth.

There generally remains appetite and enthusiasm when good assets come to market. Prime yields were broadly stable in the quarter, and most markets continue to see downward pressure. But the market is fairly thin for larger deals – the aggregate value of all deals exceeding €100m in the region fell by 11% in Q2. The pipeline is perhaps more positive in this regard, with a number of large portfolios in the market and soon to trade. With several new funds active in the region, particularly targeting student accommodation, a lack of opportunities may be a greater constraint to activity than underlying demand.

Purpose Built Student Accommodation (PBSA) remains a growth area, particularly in mainland Europe. The provision of private student beds remains limited across most markets on the continent, prompting an expectation that the region may benefit, as international students look for alternatives to the US.



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

Across the EMEA region, over €2.0bn (US$2.3bn) of transactions were completed in the second quarter, headlined by the YouFirst Campus in France, where Nuveen and GSA acquired the 3,700 unit portfolio for around €540m (US$610m), and Greystar's first foray into the Nordics with a €360m (US$410m) acquisition in Denmark.

Large portfolios are pending across France, Italy, Ireland, Spain and the Baltic countries, suggesting momentum will continue into the second half. Turnover will be boosted by the €1.2bn (US$1.4bn) acquisition by the student platform Nido Living of Brookfield Asset Management's Iberian student housing portfolio Livensa Living.

In the UK, student accommodation is perhaps more challenging, as pricing is not necessarily compelling investors to deploy at scale. This was underpinned by a 25bps outward shift in the prime yield this quarter, rising to 4.5%. The Build-to-Rent (BTR) sector (the UK's version of multifamily) is, however, seeing a rise in the number of active investors and a greater depth in bidding. Investment of £1.8bn (US$2.4bn) in the first half of 2025 was slightly up on the same period last year, with the pipeline suggesting a strong second-half is in store.

The largest deal of the quarter was in the senior living space. US-listed provider CareTrust completed the acquisition of the Care REIT, marking its first international purchase with the £632m (US$841m) deal, including 32 care homes comprising 7,500 beds and two healthcare facilities. This will quickly be surpassed when the £1.8bn (US$2.4bn) Assura healthcare portfolio trade is completed.

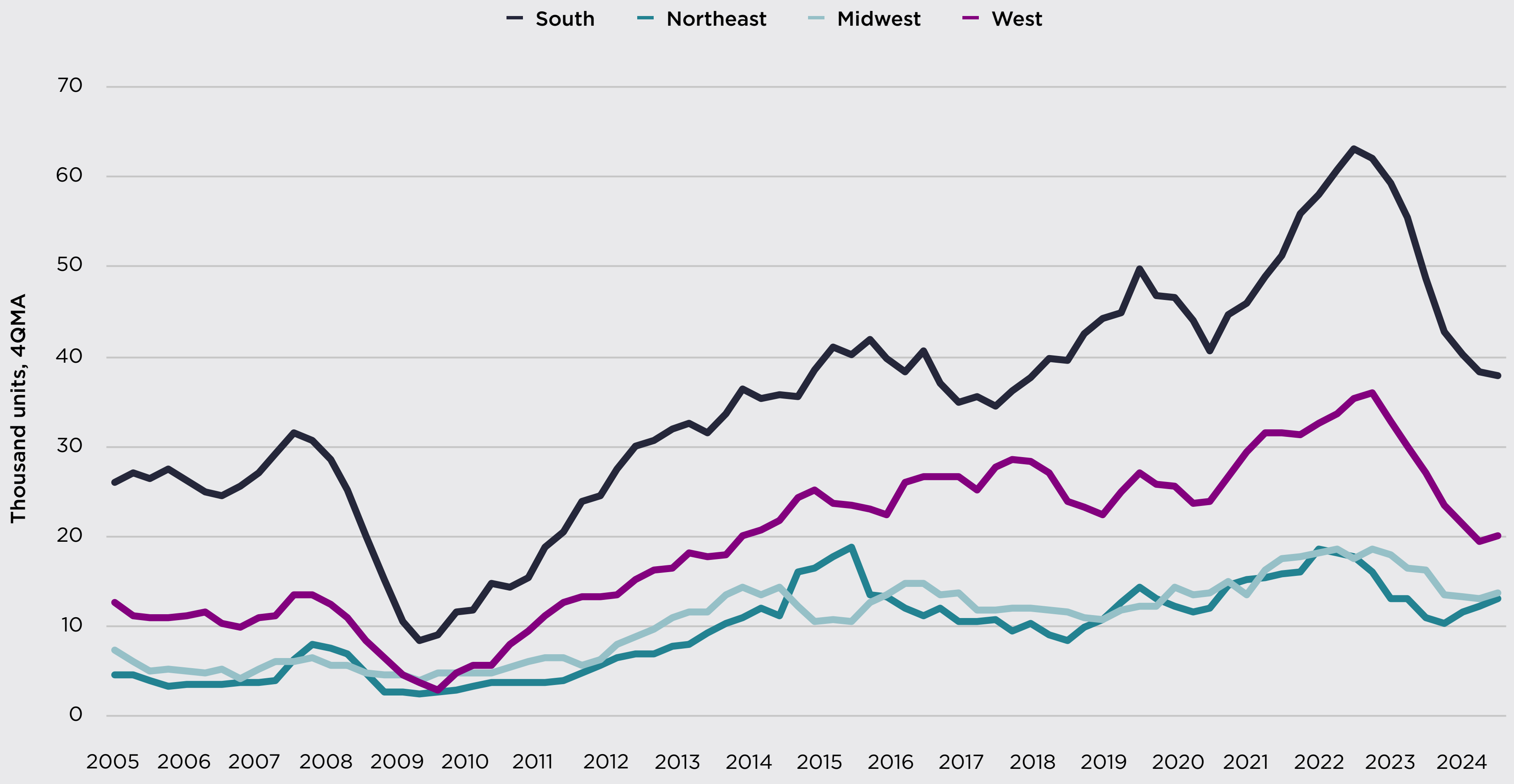
North America

The US occupational market was stable in the second quarter, with strong demand for rental units offsetting elevated new supply, although completions have declined from recent peaks. Net absorption has been positive for three consecutive quarters, and the vacancy rate has fallen to a three-year low, according to RealPage Analytics.

Nationally, average annual rental growth was modest at 0.5% in June. Landlords are working harder to attract and retain tenants, despite falling vacancy. The abundance of new supply in recent years offers tenants more choice as leases come up for renewal. However, the supply pipeline is expected to decline over the next 12–18 months. New construction starts, which typically lead completions by 18 months, have returned to pre-Covid levels. This may shift the balance of power back to landlords. In some markets, rental growth trends suggest this shift is already underway.

Regionally, markets in the South and Southeast are struggling to absorb excess supply. Rents are falling in Texan cities such as Austin, Dallas and Houston due to historically high levels of new deliveries. Similar challenges are evident in several markets in Florida, as well as Atlanta and Phoenix.

US: MULTIFAMILY DEVELOPMENT



Source: Savills Research using Macrobond. Based on the total number of rental units under construction in privately-owned buildings with 2 or more units.

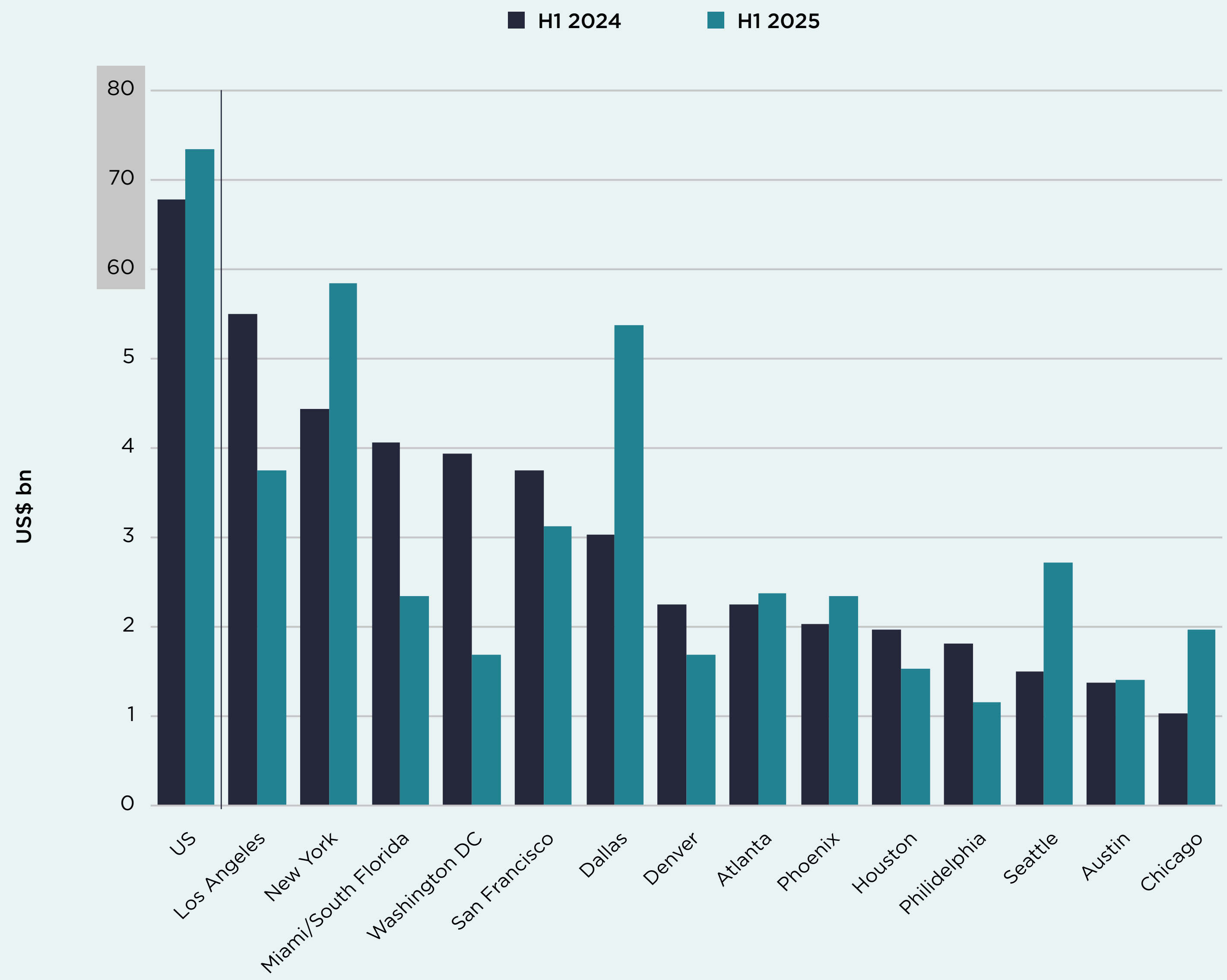
Conversely, the outlook is more positive in many Midwestern, Northeastern and some West Coast cities. Supply-side dynamics remain the key differentiator, but other factors are also influential. Internal migration patterns are rebalancing, favouring major cities like New York and Chicago. Increased office attendance and the emergence of a tech hub focused on AI in San Francisco are also contributing factors.

The investment market weakened in the second quarter after a strong start to the year, largely due to a lack of large portfolio transactions. Investment in the living sector fell 11% y/y to US$38.9bn in Q2. Regional investment trends largely mirrored occupational performance. Chicago, Seattle and New York saw robust activity, but this was insufficient to offset large declines in Washington DC, Miami and Los Angeles.

Dallas was an exception, with investment more than doubling year-on-year, making it the most invested market so far this year, despite occupational challenges. Turnover was bolstered by AvalonBay Communities' acquisition of six multifamily assets from BSR REIT for US$432m. Similarly, Atlanta was supported by the US$535m acquisition of eight multifamily assets by Equity Residential from Blackstone. Both deals were transacted at an initial yield in the high 4% range, highlighting a key challenge for investors. While yields have softened since the 2022 peak, buyers may find better value in other core sectors.

Distress in the multifamily market is growing. The CMBS delinquency rate has more than doubled over the past year, although it remains below the all-property average due to high office delinquencies. A CrediQ analysis of community bank loans revealed the highest distress levels since the global financial crisis, despite a low overall delinquency rate. Much of the multifamily debt that originated during the 2021–22 boom, often with short maturities, is now coming due.

US: TOTAL LIVING INVESTMENT IN MAJOR MARKETS



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

APAC

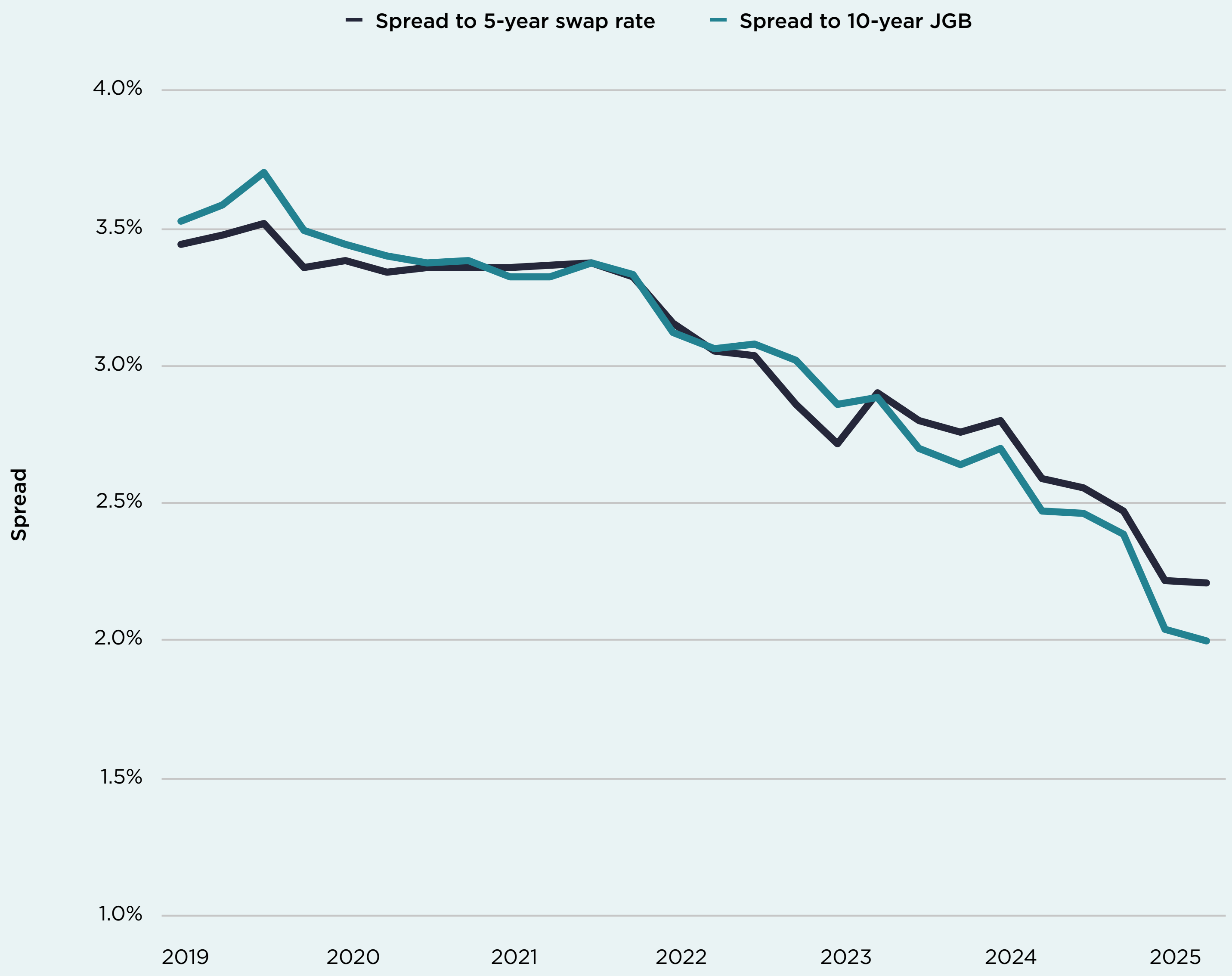
Investment in the APAC living sector totalled US$3.4bn in Q2, marking a 14% y/y decline, largely due to a 52% fall in Japan. Conversely, Australia attracted the most capital, although this was primarily due to a single large transaction.

In Japan, despite weak headline investment figures of JPY157bn (US$1.1bn) in Q2 – the lowest in six years – underlying fundamentals remain strong. Average rents for mid-market apartments in Tokyo's 23 wards rose 8.4% y/y, driven by robust net migration during the spring moving season and positive real wage increases. The annual wage negotiations resulted in an average pay rise exceeding 5%, the highest in 34 years, supporting tenant demand amidst stretched housing affordability.

Supply constraints are also a factor. New energy efficiency standards introduced in April have increased development costs, contributing to a sharp decline in new housing starts – down by more than 25% in the second quarter, although some developers have front-loaded projects to get ahead of the new regulations.

Capital market weakness stems from limited stock availability and increased financing costs. The prime yield for Tokyo multifamily assets remained steady at 3.4% in Q2, unchanged for nearly two years. However, the five-year swap rate, a proxy for debt costs, has nearly doubled over the same period. While debt remains accretive, core inflation in Japan is now the second highest of the G7 economies, putting pressure on the Bank of Japan to further tighten policy, leading investors to adopt a more selective approach.

JAPAN: MULTIFAMILY PRIME YIELDS



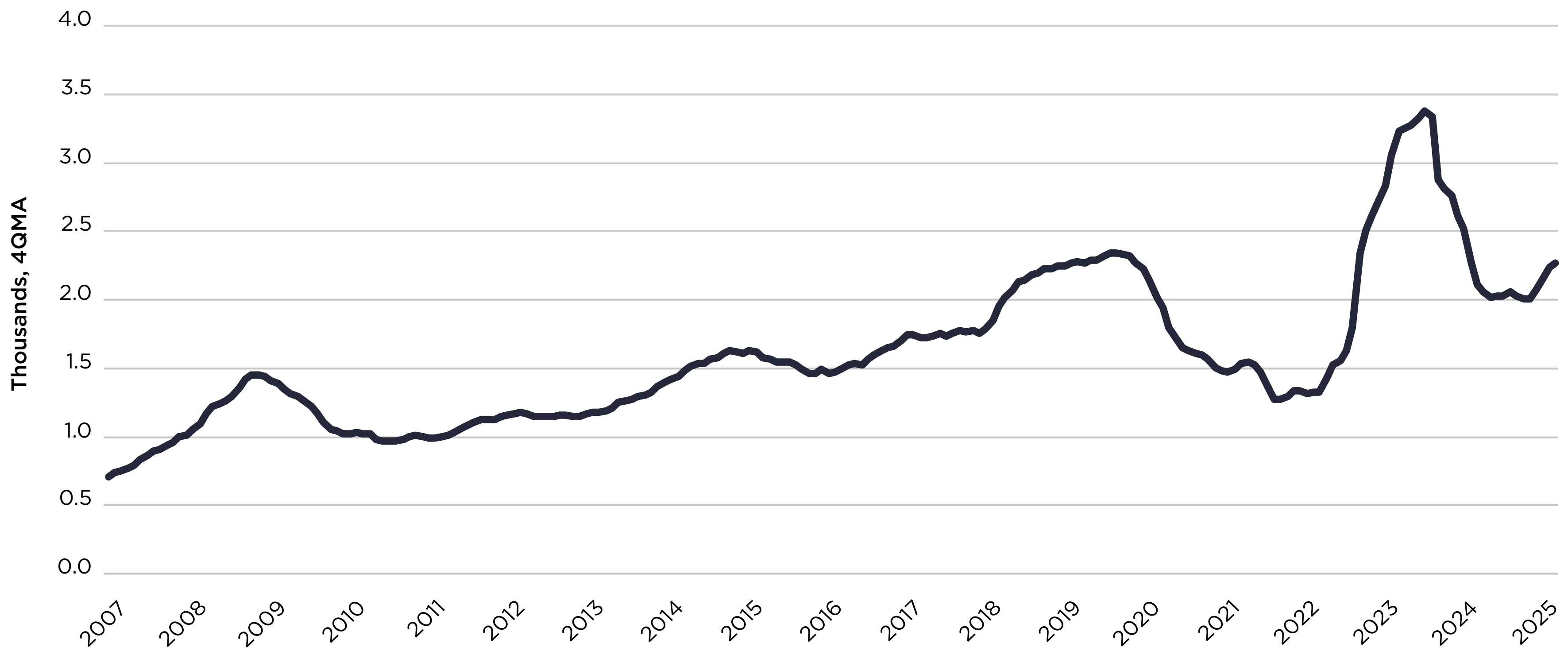
Source: Savills Research using Macrobond.

In Australia, Q2 investment reached AUD1.8bn (US$1.1bn), with 90% attributed to Greystar and Future Fund's acquisition of seven student properties from Singapore's GIC. Equally, Q3 will also see significant growth on the year, with Brookfield selling their senior living platform Aveo to the Living Company for AUD3.9bn (US$2.5 billion), reported to be Australia's largest real estate deal.

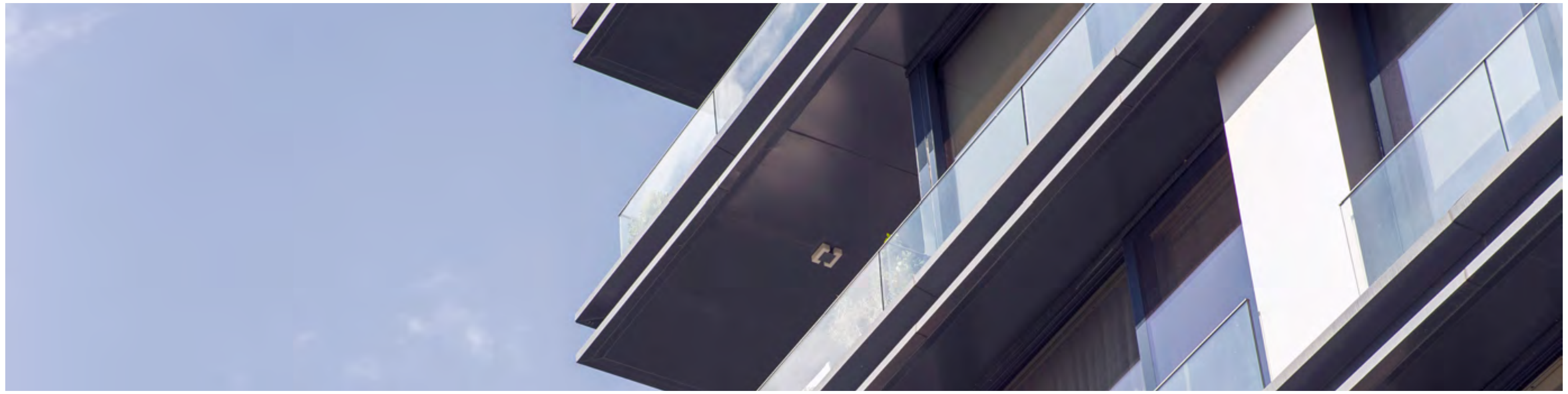
These deals skew the data somewhat, as broader investor appetite, particularly for multifamily assets, has softened. The sector, still in its infancy, offers opportunities primarily through development, but high construction costs and limited stock availability pose challenges. Pricing remains tight compared to other sectors. Sydney's prime yield for multifamily assets stands at 4% versus 4.75% for industrial and logistics and 5.85% for office.

Occupational market dynamics in Australia mirror those in Japan. A low vacancy rate of just 1.3% in June, according to SQM Research, continues to support rental growth – albeit at a slower pace than recent peaks. In the PBSA sector, regulatory uncertainty over proposed limits on international students and a more restrictive policy on visa applicants has dampened sentiment. However, visa numbers remain robust – education is a major export for the Australian economy, so significant curbs are unlikely. The ratio of beds to students is low by international comparison, despite good growth in new supply in recent years.

AUSTRALIA: HIGHER EDUCATION STUDENT VISAS GRANTED

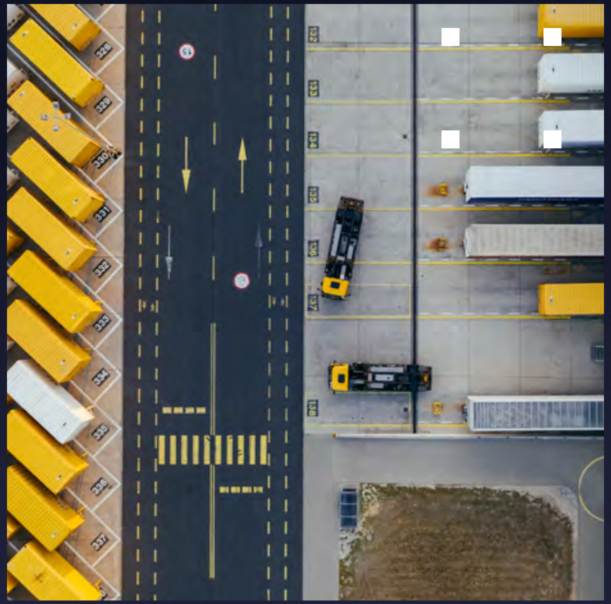


Source: Savills Research using Macrobond.



Savills Takes Stock: Global Capital Markets

Logistics



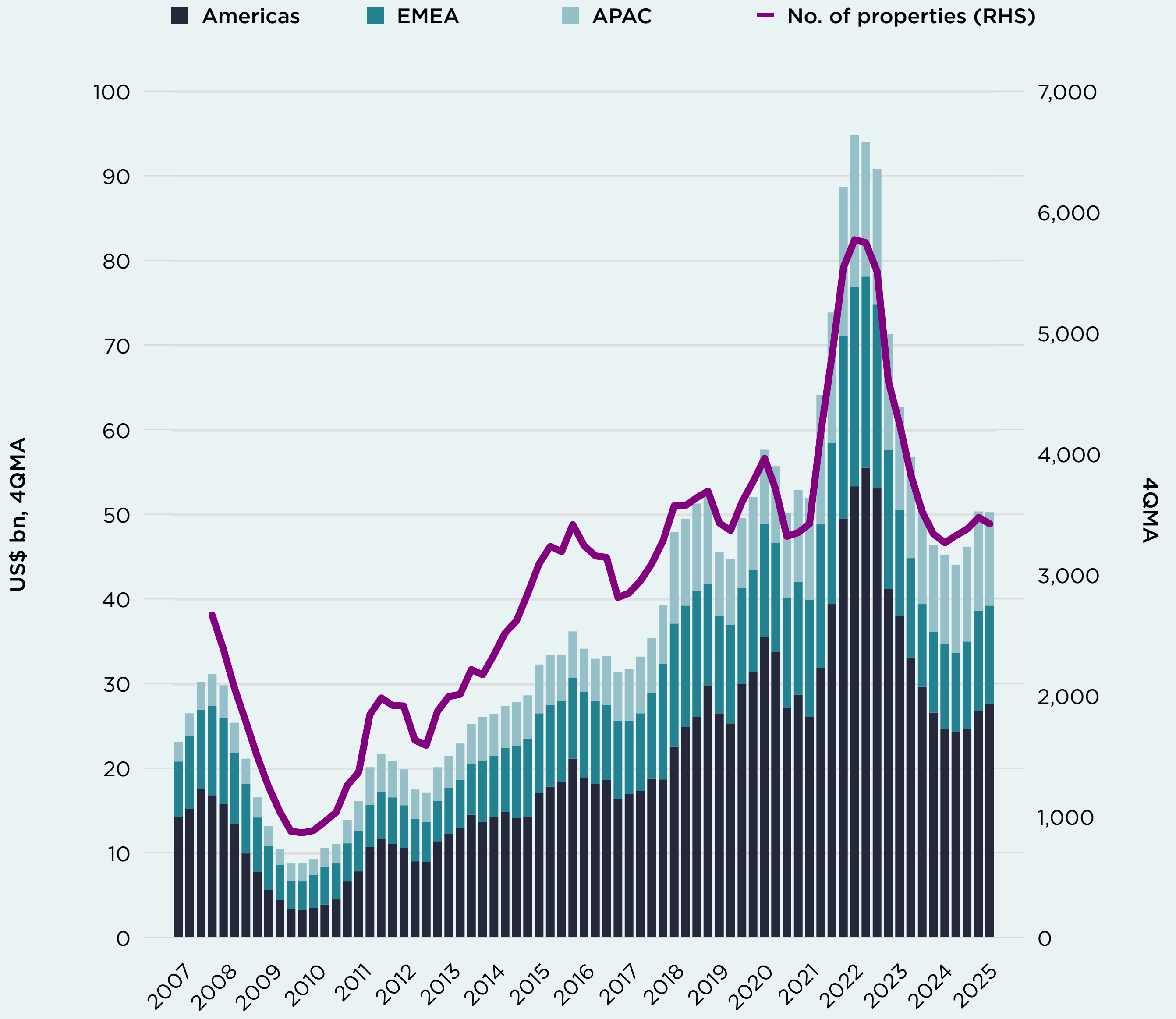
Logistics in limbo

Across the industrial and logistics market, investment of US$42.2bn represented a 10% decline on the year. This followed three consecutive quarters of positive growth and left the first half of the year broadly stable on 2024. Uncertainty over the scale and impact of US import tariffs has clearly hit investor sentiment. This is reflected in recent price movements in the listed sector, with composite REIT benchmarks outperforming the industrial sector across all major markets since 'Liberation Day'.

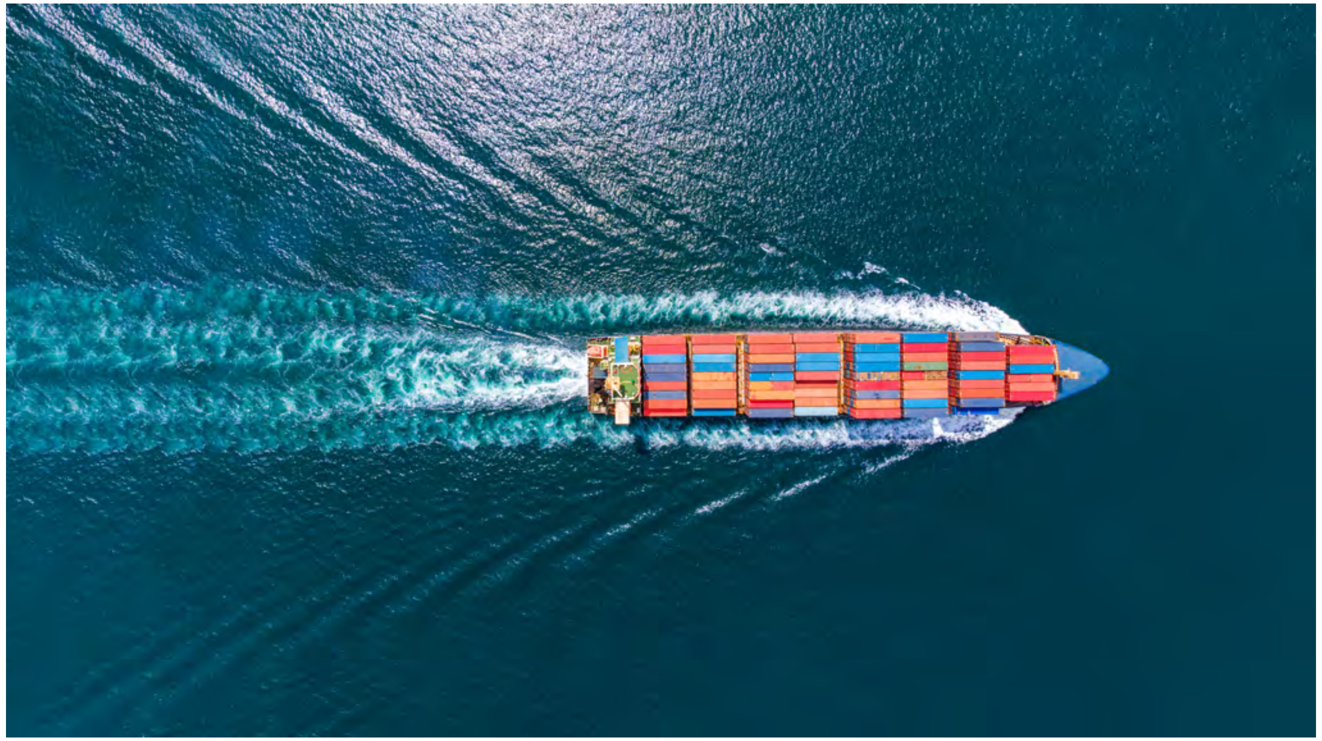
While a shift in momentum in Q2 was apparent across all regions, the slowdown in activity was most pronounced in APAC. Tariffs are broadly perceived as being an act of economic self-harm by the US administration, given that the burden of cost will largely fall on domestic companies and consumers. However, the US economy remains relatively closed to international trade, so by association, the industrial and logistics sector is largely driven by domestic trends (outside some of the major port markets). The same cannot necessarily be said for much of the APAC region, particularly outside Japan. This may go some way to explaining the weakness in activity in Q2, with investors waiting for more clarity in the outlook.

Occupiers are also responding to the wider uncertainty in the macro environment. Leasing activity has been relatively muted at the beginning of this year – particularly in the US and mainland Europe. According to a recent survey of our global network of industrial and logistics specialists, 80% of tenants are taking longer to make leasing decisions, with a majority also looking for more flexibility in their contracting, compared with 12 months ago. In the US, major occupiers are increasingly outsourcing their logistics needs to 3PLs as a way of hedging against the wider market volatility.

GLOBAL: INDUSTRIAL AND LOGISTICS INVESTMENT TURNOVER



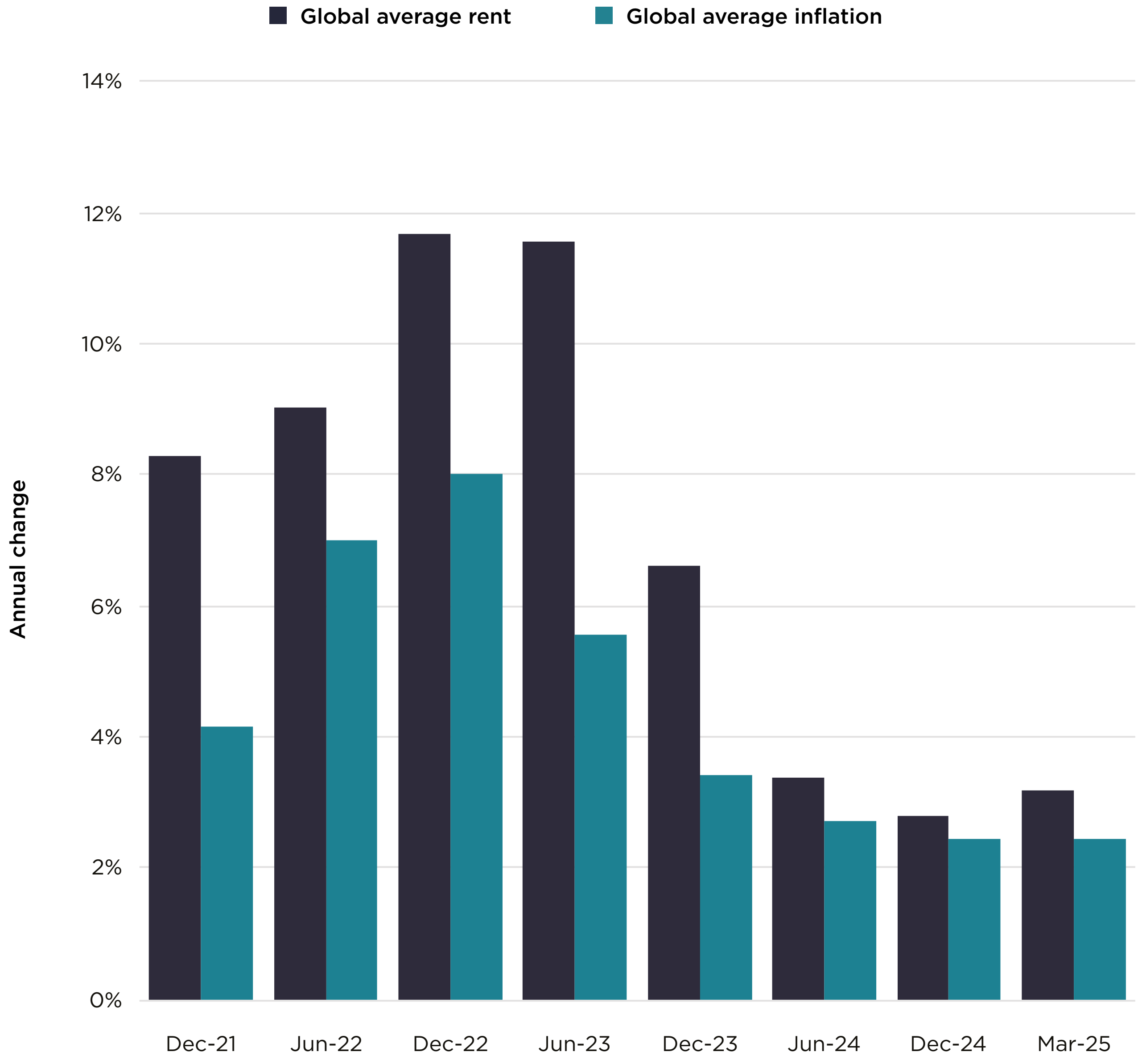
Source: Savills Research using MSCI RCA. Based on independent reports of properties and portfolios. Excluding development sites.



Meanwhile, **rental growth is slowing across most major markets, underpinned by increasingly tenant-friendly conditions.** This is most apparent in markets that have seen a significant onboarding of new supply in recent years. In the US, for example, around 40% of markets nationwide have seen asking rents fall by 5% or more from recent peaks, while both the Chinese and Japanese markets are also seeing downward pressure.

The outlook appears a little more encouraging, with some clarity forming over the tariffs following recent trade 'deals' between the US and its main trade partners. This should help to release any pent-up demand, both in occupational and capital markets, that may have accumulated through the first half of this year. Supply-side dynamics are also largely supportive, at least from the investor/owner perspective, with a decline in speculative development helping to offset any weakness in tenant demand. This is very evident across much of mainland Europe, as well as major APAC markets, such as Japan.

GLOBAL: PRIME RENTS AND INFLATION



Source: Savills Research using Macrobond. Based on a simple average of major industrial and logistics markets globally.

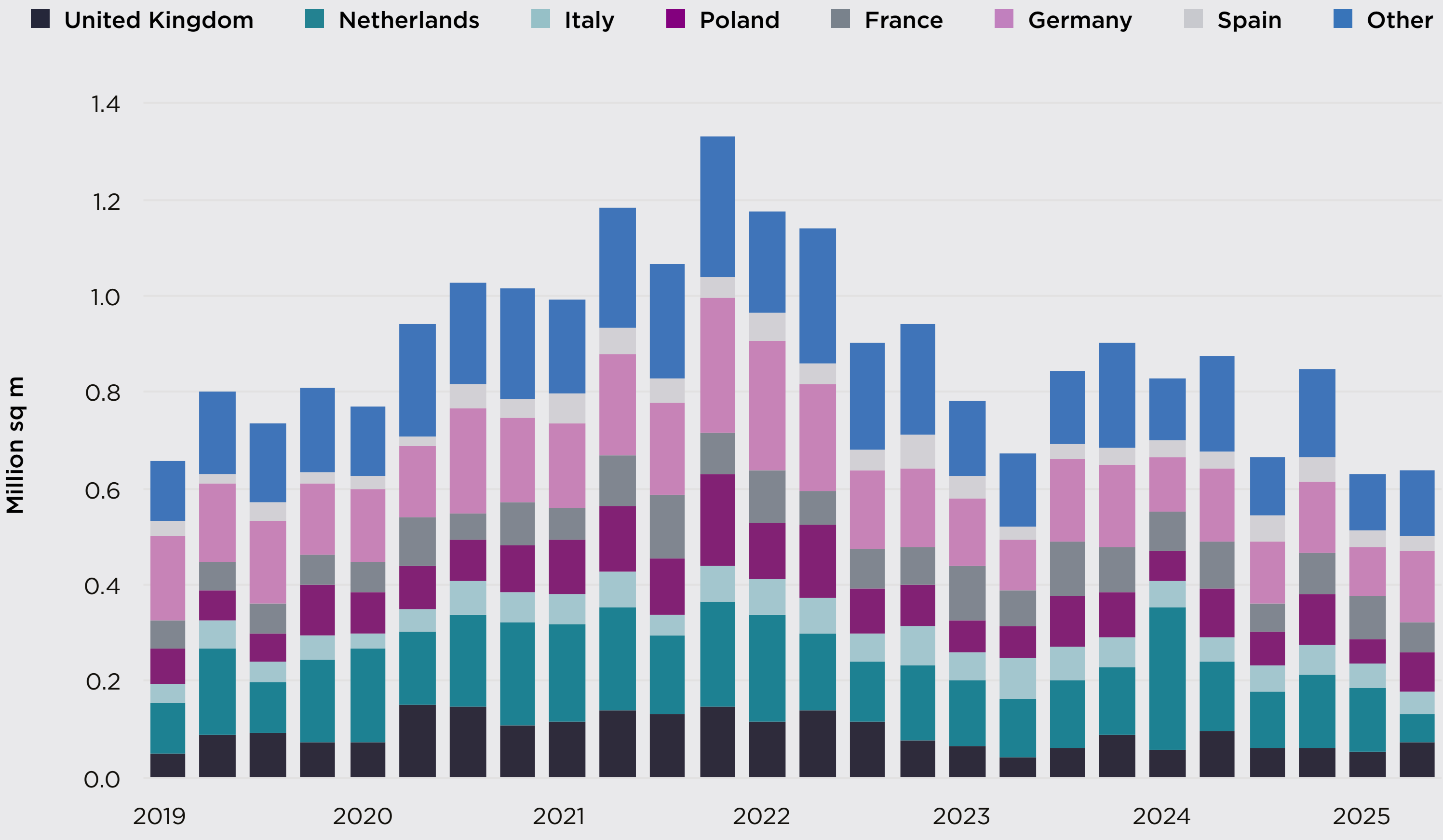
EMEA

Total investment across the EMEA region of €8.7bn (US$9.7bn) in the second quarter represented a near 7% decline on the year. This was largely due to weakness in some of the core Western European markets, including France, Germany and the Netherlands, as well as across Scandinavia. This was partially offset by a strong outturn in the UK, where investment of £3.5bn (US$4.7bn) was 37% higher than Q2 2024, supported by LondonMetric's acquisition of Urban Logistics REIT, which valued the latter at nearly £700m (US$940m). The Polish market is also seeing continued growth, as a conduit to suppling the rest of Europe, with investment rising by 50% y/y in Q2.

The LondonMetric deal is indicative of a wider trend. While core and core-plus investors remain somewhat cautious in their approach, sector specialists remain active in deploying capital across the region, looking to expand and consolidate existing regional portfolios. This is underpinned by a growing conviction in the outlook for rental growth.

The headline data does not necessarily support this outlook, with occupier activity relatively muted across much of the region in the first half of the year, particularly in core European markets. In Spain and Italy, total take-up in H1 fell by 7% and 10% respectively, compared with the same period last year. In France, take-up was down by 14% in the first half, while in the Netherlands it fell by 56%.

EUROPE: INDUSTRIAL AND LOGISTICS TAKE-UP



Source: Savills Research

As a consequence, average vacancy has risen at the beginning of the year, after declining in 2024. This is true even in the UK, where the occupational dynamics are a little more encouraging, despite the level of new supply hitting a 14-year high. In turn, a higher vacancy rate is eroding the pricing power of landlords and leading to a slowdown in rental growth. Average prime rents across Europe rose by 1.7% y/y in Q2, a notable slowdown from recent years.

But a sharp slowdown in speculative development activity across the mainland provides for a more optimistic perspective, and we expect vacancy rates to trend downwards again as we move through the year. This will put a floor on rents and provide a good launchpad, should leasing activity recover as more clarity is established on tariffs.

In the interim, liquidity across the region's capital markets is being held back by a lack of true sellers. There is also a general scarcity of genuine third-party transactions to effectively mark the market, amidst a persistent price expectations gap. This quarter sees a 25bps increase in the prime yield in the Netherlands, from 4.75% to 5%, and a shift in the outlook towards no change in the UK, France and Germany.

North America

Total investment across the US industrial and logistics sector rose by nearly 7% y/y in Q2 to US$22.3. This represented a slowdown in growth, following three consecutive quarters of double-digit expansion. The quarter was notable for a reduction of major portfolio transactions, with the largest deal occurring in Raleigh, North Carolina, where Town Lane acquired a six-property portfolio for US$555m from Equus Capital Partners.

Sentiment has clearly been impacted by the wider tariff uncertainty. This is evidenced by movements in public markets. In the month following the 'Liberation Day' tariff announcements, industrial REITs recorded the largest month-on-month decline in equity value of the major real estate sectors, relative to underlying NAV, according to S&P Global Intelligence.

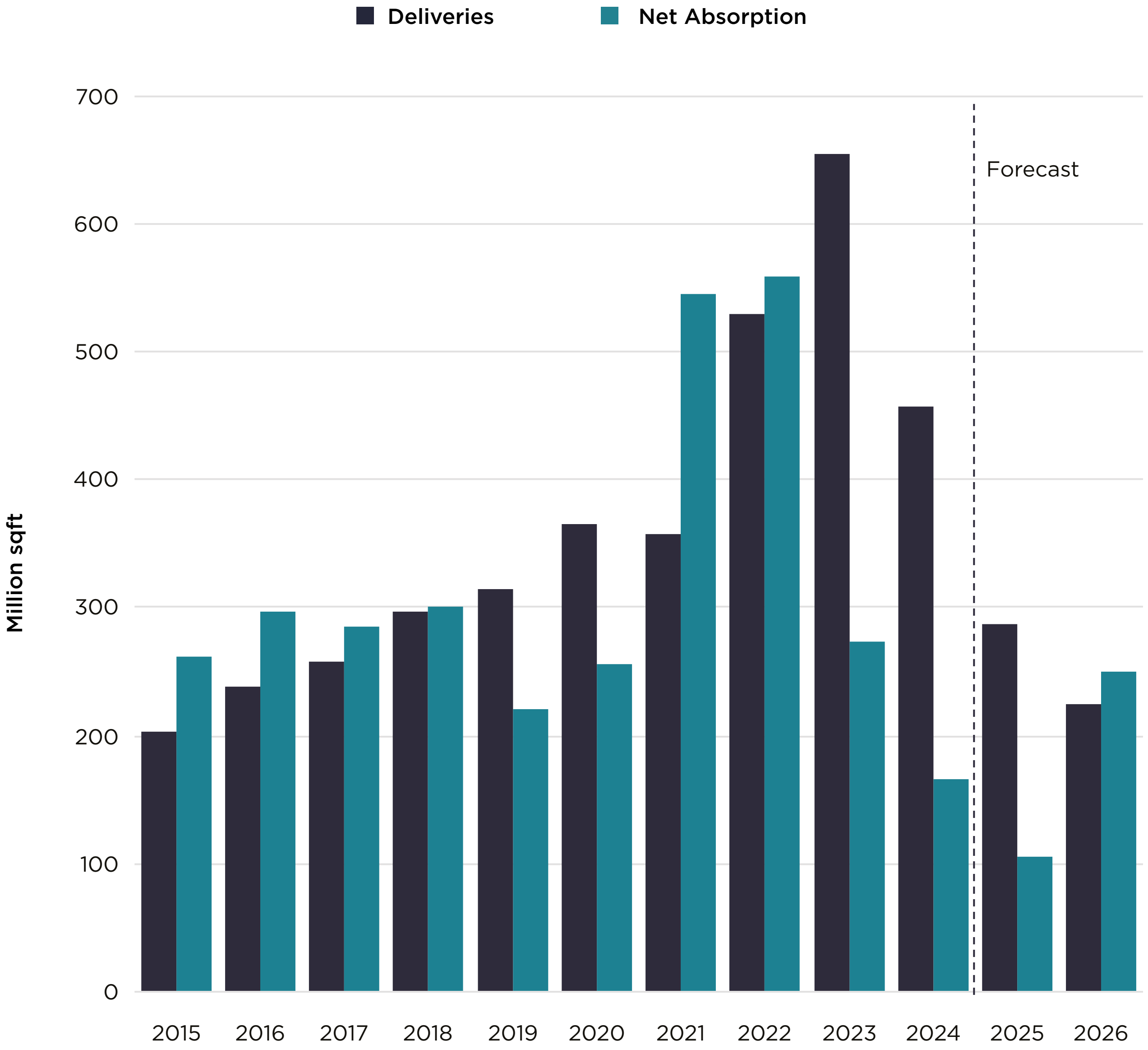
Momentum was probably slowing irrespective of tariffs, given some underlying softness in the occupational market. Total leasing activity is broadly stable on the year, sustained by renewals and outsourcing to the increasingly active 3PLs, which is helping to offset new tenant demand. However, uncertainty related to trade tariffs is weighing on occupier trends. This is reflected in the sharp slowdown in net absorption, which was just 9.6msf in the quarter, the lowest since 2012. Vacancy has risen to 8.1% as a consequence, the highest in a decade and up 100bps over the last 12 months.

Weak net absorption is likely to persist through the year. The big question is whether this simply reflects delayed leasing decisions – to the extent that major occupiers are waiting for more clarity on tariffs – or a fundamental reassessment of space requirements in an environment of slowing growth and weaker trade throughput. The answer is probably a bit of both, although a deterioration in the economic outlook will increasingly favour the latter over the former, given the market is primarily driven by trends in domestic growth.

The recent rise in vacancy is also grounded in supply dynamics, and new deliveries are expected to outpace net absorption for a third consecutive year in 2025. However, construction starts have fallen sharply since 2023. The pipeline of deliveries is now back at 2018 levels, which should help to stabilise the market as we move through the year and into 2026. In the interim, while landlords are still resistant to reducing their asking rents, average rents are flat on the quarter and up 0.7% on the year, so downward pressure is intensifying.

Most of the major investment markets, including Chicago, Dallas, Houston, Northern New Jersey and Phoenix, experienced positive growth in deal activity this quarter. The exception was Los Angeles, and indeed the neighbouring Inland Empire, both of which experienced weaker investment in Q2. The region is somewhat leveraged to the storage and transportation of imported goods from China and other APAC markets, due to the presence of the Los Angeles and Long Beach ports. In Los Angeles, the vacancy rate rose to a record high by 50bps to 7% in Q2, while rents were down 6.6% on the year. We now see some upward pressure on prime yields, in line with these softening dynamics.

US: INDUSTRIAL AND LOGISTICS DELIVERIES AND NET ABSORBTION



Source: Savills Research

APAC

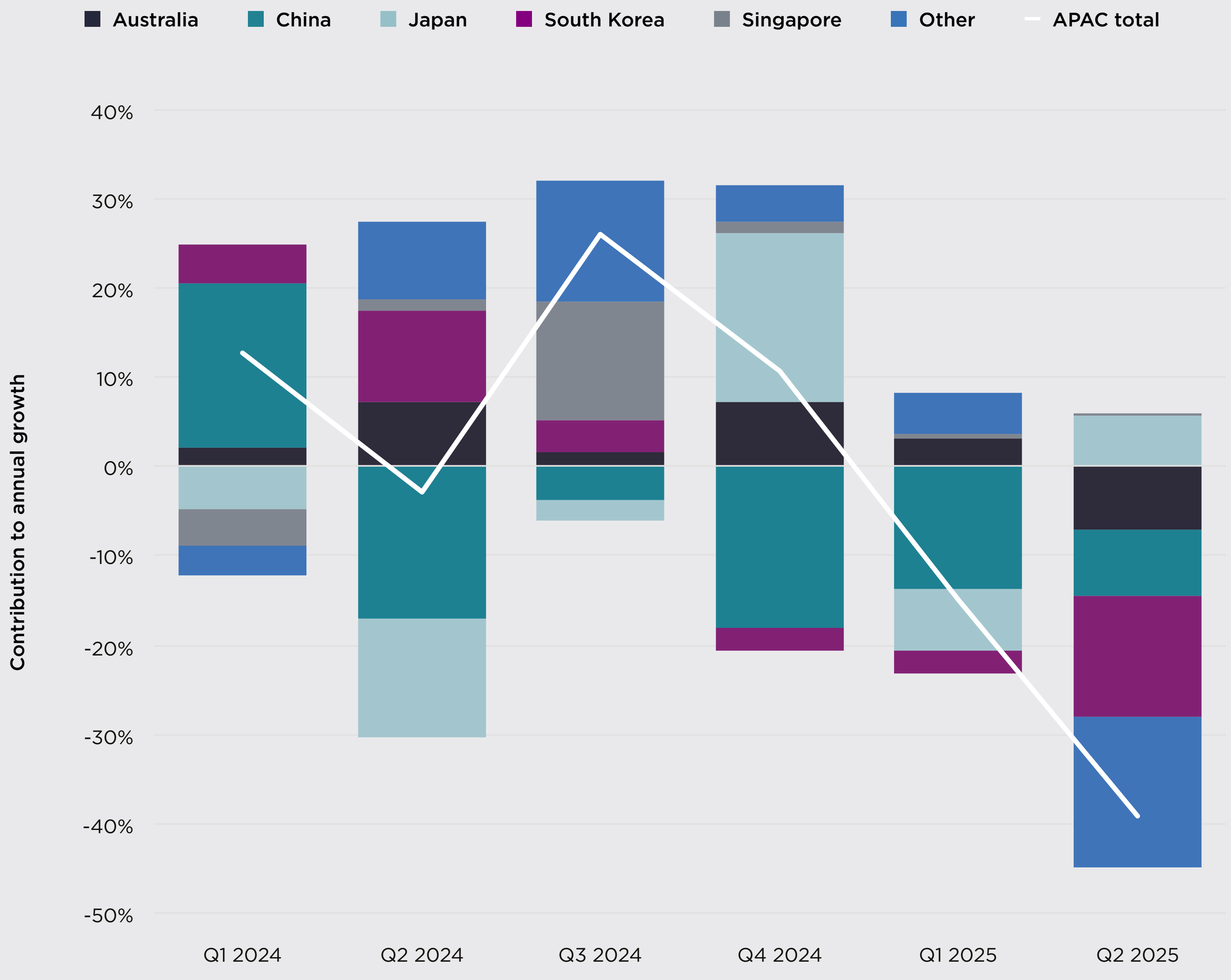
Investment across the APAC region totalled US$7.3bn in Q2, marking a 36% decline compared with the same period in 2024. The first half of 2025 saw a 27% fall, with deal activity slowing to levels last seen during the peak of the Covid-19 pandemic in 2020. Notably, international investors have been marginal net sellers of industrial and logistics assets in 2025 for the first time in a decade.

Industrial and logistics capital markets activity has been subdued across much of the region. Australia, China, Hong Kong and South Korea experienced double-digit declines in turnover, while Singapore remained relatively stable.

Continued weakness in the Chinese market is weighing on the regional data. Investment in H1 2025 totalled CNY22.4bn (US$3.1bn), over 40% down y/y, accounting for nearly half of the APAC decline. Fundamentally, the market remains heavily oversupplied – the vacancy rate in Shanghai currently stands at 26.2%. Q2 investment was the weakest since 2019.

However, there are some encouraging signs that the market has bottomed out. Vacancy has now fallen for two consecutive quarters, underpinned by a slowdown in new supply (with no new projects launched in Q2) and the rebasing of rents, is encouraging some stability in leasing demand. Net take-up in Shanghai was substantially higher than the same period last year, supported by the manufacturing sector, which remains central to the national strategy.

APAC: INDUSTRIAL AND LOGISTICS INVESTMENT TURNOVER



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

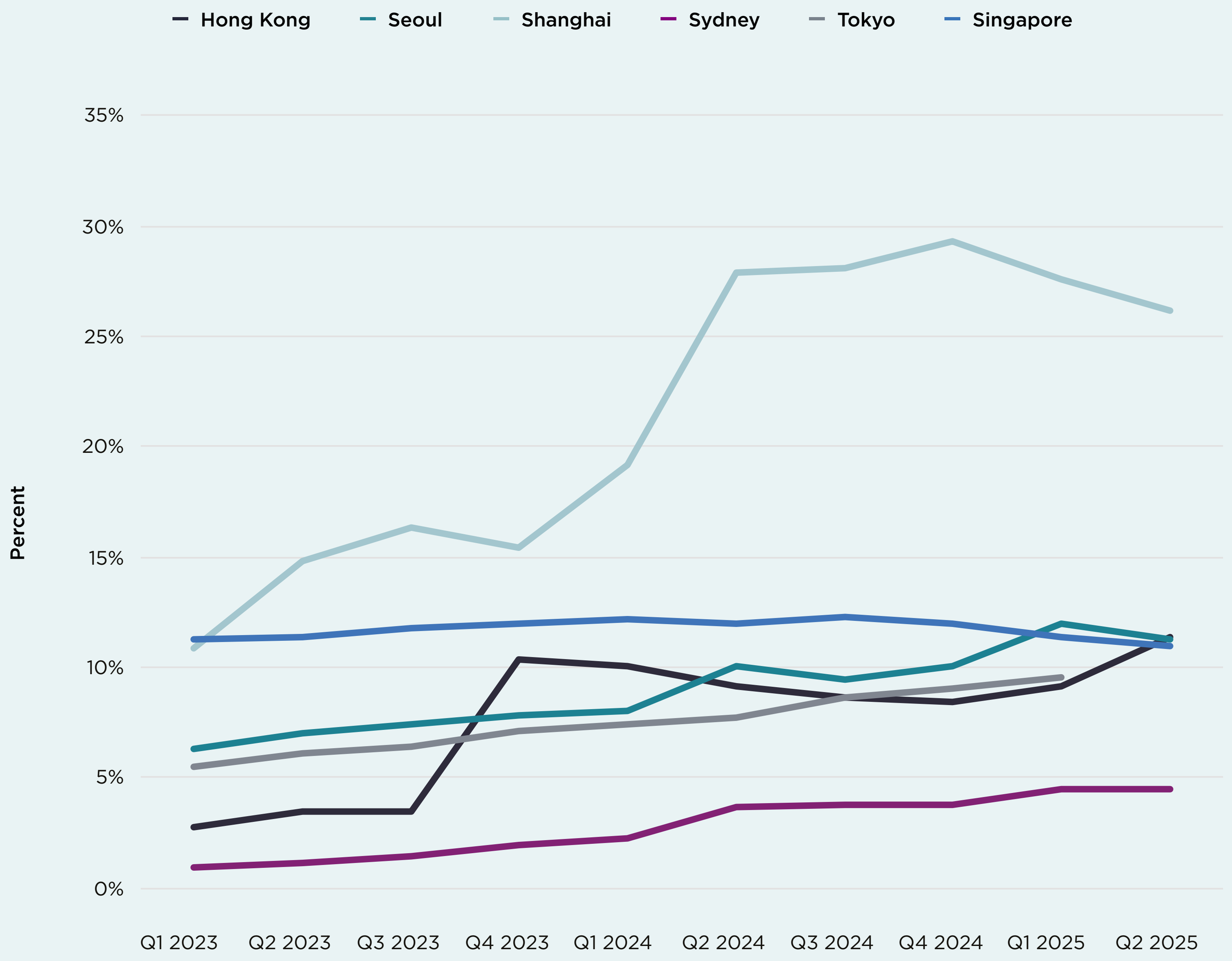
Australia, Japan and South Korea were the only markets to receive over US$1bn in Q2 investment. In Australia, leasing activity has picked up, driven by pre-lease agreements, while speculative development has slowed. Vacancy has held steady at 4.5% for two quarters, and rents have increased by 4–5% over the past year.

Sydney remains a key target for global capital, although there are limited opportunities to deploy. This is driving strong competition for assets, supporting a compression in the prime initial yield this quarter. Investors are looking for a strong reversionary potential – the market has seen over 50% rent growth in five years. Nearly AUD1.0bn in industrial deals are pending in the second half.

In Japan, investment doubled to JPY196bn (US$1.3bn) in Q2, albeit from a low base. Domestic investors have dominated, while cross-border investment has declined. Rising vacancy, falling rents and interest rate hikes have dampened market activity. Nonetheless, Tokyo's occupational market is improving. Despite a 4% year-on-year drop in asking rents in Q1, leasing demand remains solid. Vacancy has risen to 9.5% in early 2025, but new development is down 30% compared to 2024 and expected to fall further.

South Korea saw investment of KRW1.5tn (US$1.0bn), down nearly 60% year-on-year. Although distorted by a high base, H1 activity was still 44% below 2024 levels. Decision-making delays have contributed to the slowdown, with no portfolio transactions in Q2. However, major deals are progressing, including Blackstone's acquisition of two Grade A logistics centres in the Greater Seoul area for US$260m. Increased sales listings suggest a more active market than transactional data indicates. Leasing dynamics have improved, with vacancy in Seoul falling to 11.3%, supported by steady demand and limited new supply.

APAC: VACANCY OF PRIME INDUSTRIAL AND LOGISTICS



Source: Savills Research

Savills Takes Stock: Global Capital Markets

Offices

savills

The office: from stigma to stability

The office sector is showing signs of nascent recovery and growing confidence. In the second quarter, completed transactions totalled US$45bn, up 12% y/y, with the US seeing a notable 50% increase. Although this growth starts from a low base, especially in the US where sector challenges have been well documented, the stigma attached to office investments is quickly dissipating.

This recovery is supported by a strong occupational market and a rebasing of values, both in absolute terms and relative to other core sectors. A well-established trend is the flight-to-prime among major occupiers. Despite hybrid working, demand remains strong for best-in-class buildings, which are often in short supply in key global markets.

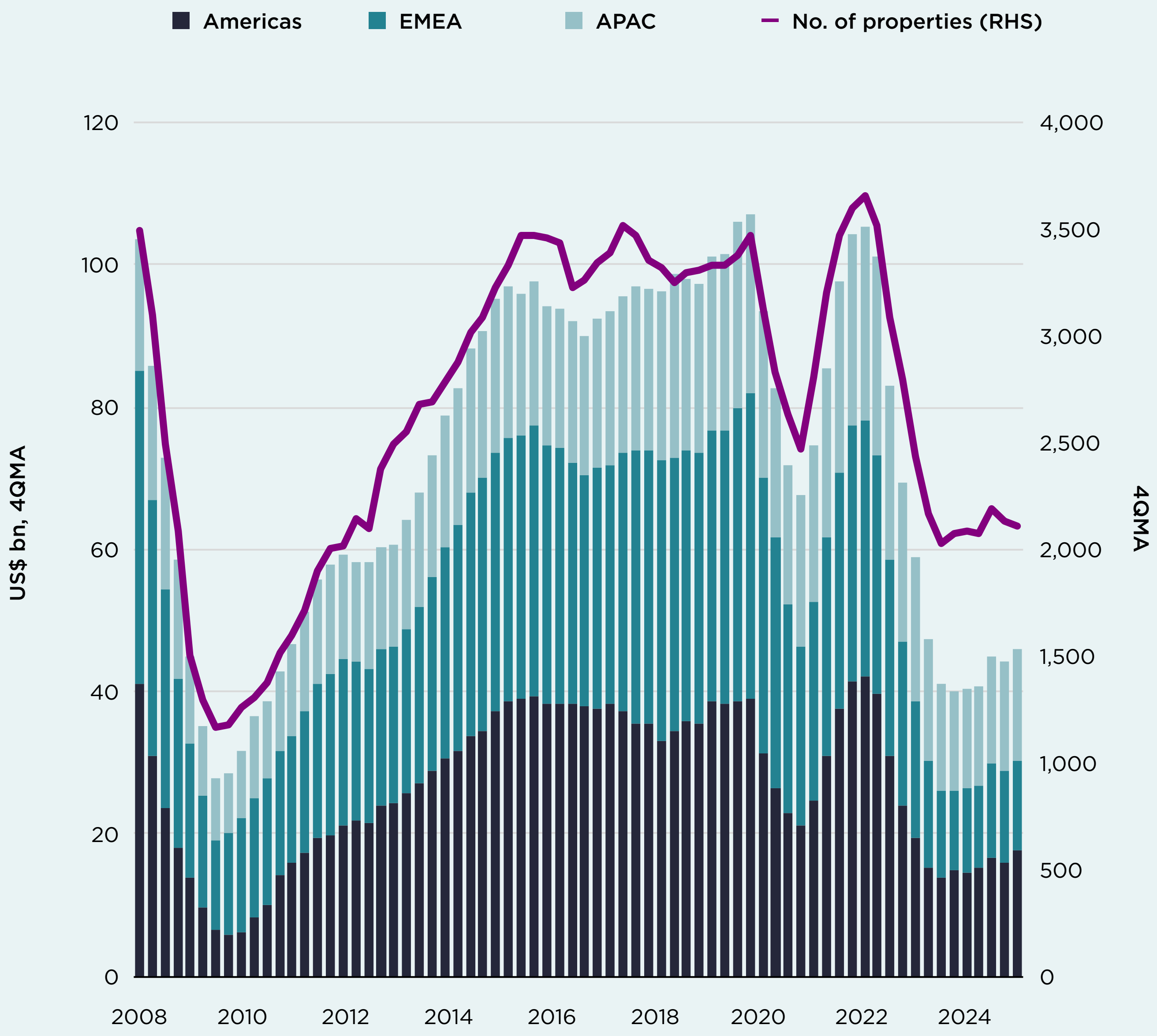
The key point of this narrative is that it is now well established, and the consistency in demand and income growth is attracting investors back. This is best typified by the actions of US private-equity, which began in Europe and is now increasingly active in the US.

Having been very vocal about their varying degrees of exposure to the sector (less was more), we are now seeing a pretty unanimous effort to acquire in gateway markets.

Limited supply is also bolstering the investment case, offering confidence in the outlook for sustained rental growth. In the US, speculative development is rare, and many markets are seeing declining inventory, as outdated buildings are repurposed or demolished. Europe shows a similar, though less pronounced, trend. Development remains constrained by financing and construction costs. However, the existing scarcity of quality prime assets in core CBD locations may encourage more developers to proceed with new projects.

In the APAC region, the outlook is mixed. Tokyo has a substantial pipeline due in the next 18 months, though pre-leasing rates are strong. Seoul expects no new supply this year, keeping vacancy rates low.

GLOBAL: OFFICE INVESTMENT TURNOVER



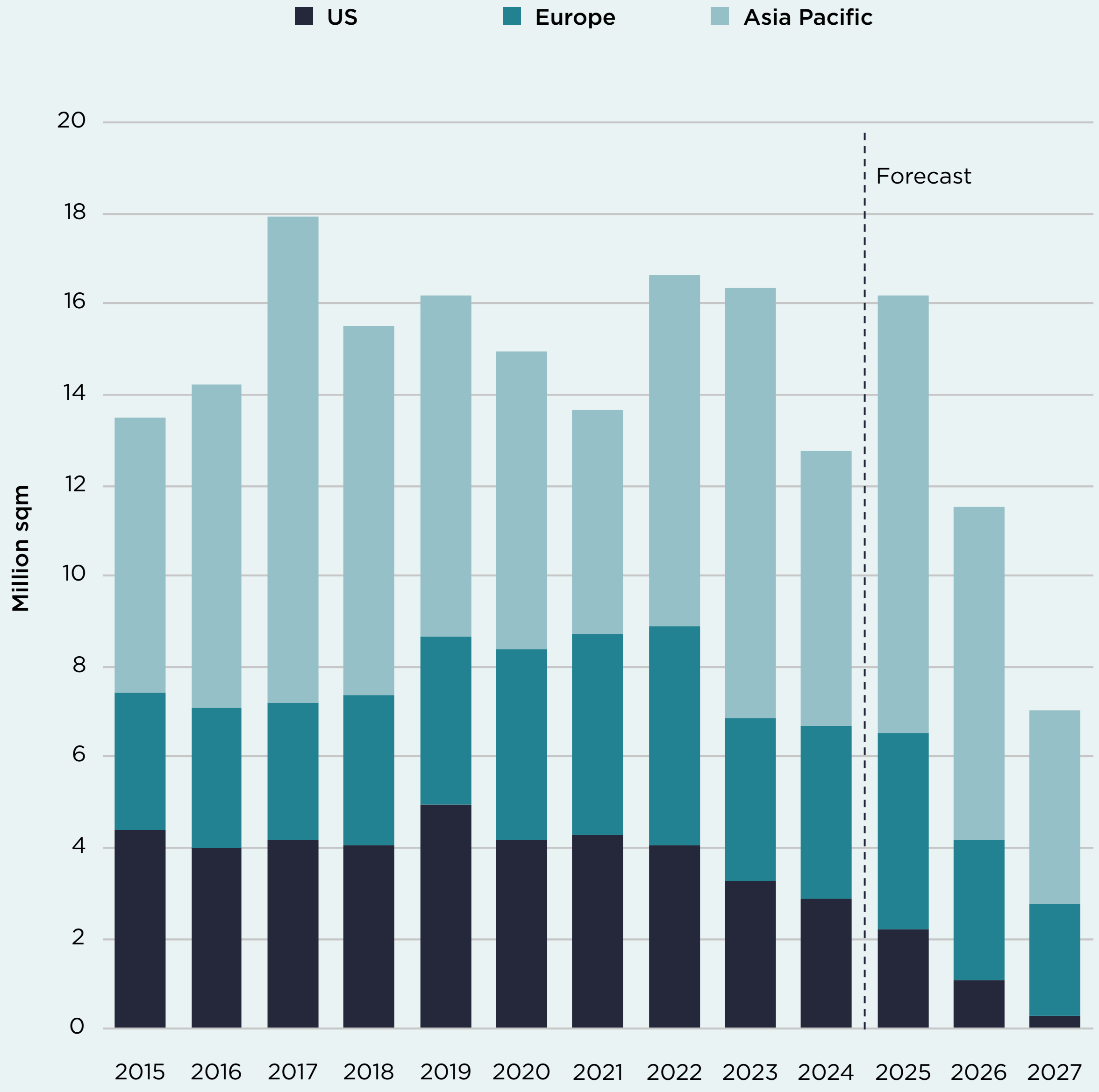
Source: Savills Research using MSCI RCA. Based on independent reports of properties and portfolios. Excluding development sites.

Sydney has absorbed recent additions with minimal disruption and future supply is limited. Conversely, China and Hong Kong face continued oversupply, with significant new stock expected, which could challenge both occupancy and investor returns.

Meanwhile, the rebasing in values is, in many cases, providing an attractive re-entry point for investors. According to MSCI data, average capital values globally have fallen by over 30% since peaking in mid-2022, compared with 10–15% declines across the other major sectors.

Owner-occupiers are seizing the opportunity. These investors, largely corporates, now account for over 16% of global investment turnover – more than double the long-term average. In H1 2025, US$14.9bn of assets were acquired by owner-occupiers, a 35% increase from the same period last year. Notable transactions include Pacific Gas & Electric's US$985m acquisition of 300 Lakeside Drive in Oakland, California, deemed a lower-cost option compared to the ongoing leasing of the building. Several deals, each around US$500m, have also closed in central Seoul this year, and we have seen sizable acquisitions in London also.

GLOBAL: OFFICE DEVELOPMENT COMPLETIONS/PIPELINE



Source: Savills Research.

EMEA

Office investment across EMEA totalled €11.1bn (US$12.4bn) in Q2, a 6% decline on the year. This followed an equally muted first quarter, leaving year-to-date turnover down by around 6%, marking the weakest first half year since 2009.

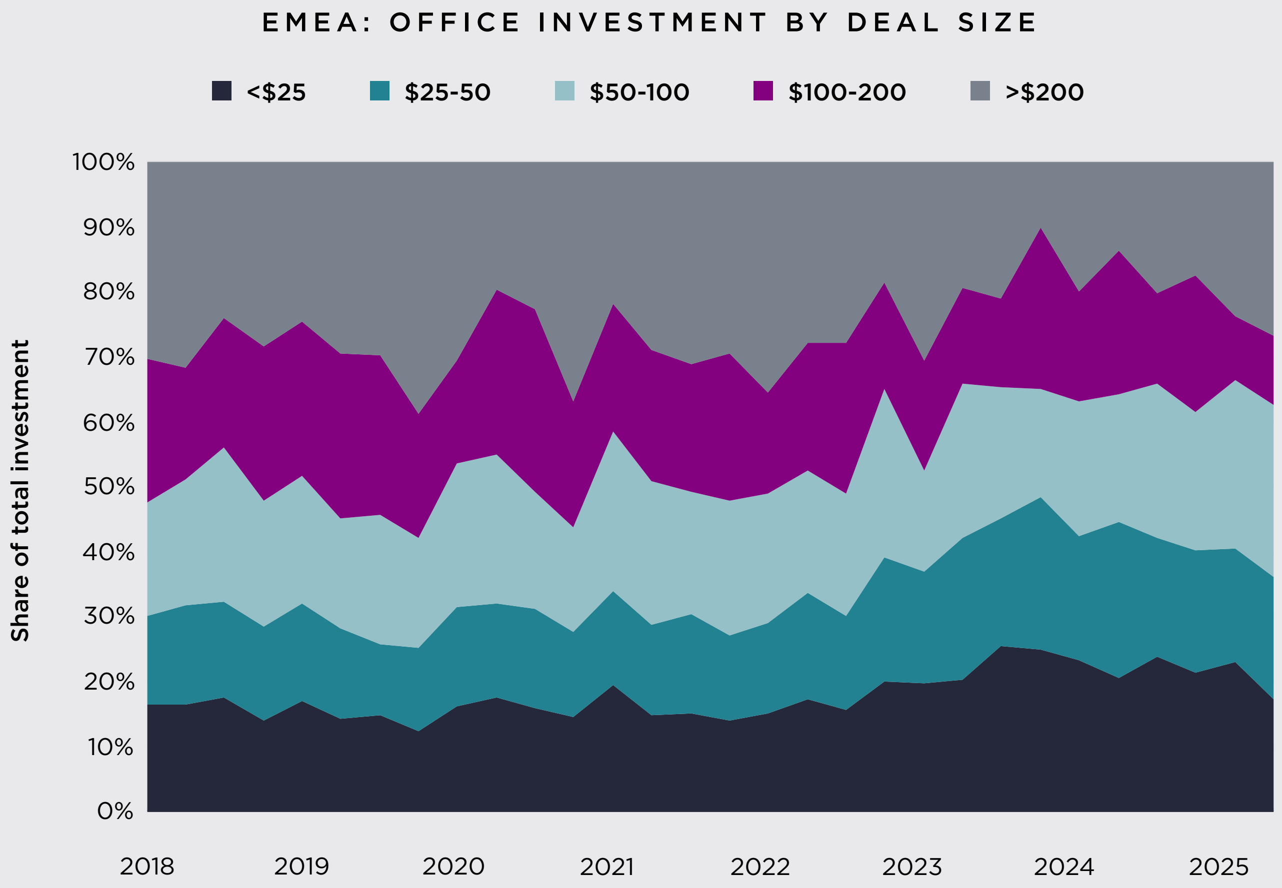
Despite this, sentiment is much improved. When good assets hit the market, there is a depth of demand driving competitive bidding and price appreciation. This quarter, prime yields for Paris and Madrid compressed by 25bps, while downward pressure remains in the UK and Italy. This is supported by a falling cost of debt, particularly in the euro area, even if core investors continue to struggle to hit hurdle rates amidst an elevated risk-free rate of return.

The shift in sentiment is reflected in an increase in liquidity for larger lot sizes, with major deals including Gecina's €435m (US$490m) acquisition of Le Solstys in Paris, and the sale of Upper West Berlin to the Schoeller Group for €450m (US$510m).

In London, 12 assets have already traded for over £100m in H1 - including State Street's purchase of 100 New Bridge Street for £382m (US$431m) - surpassing the four deals completed in H1 2024.

Each transaction helps to consolidate market pricing and boost vendor confidence. As a consequence, more deals are expected to come through in the second half, headlined by the impending sale of the Paris Trocadéro business centre in Paris – a mixed-use development that is reportedly under offer, following strong competition, to a major private-equity house for €705m (US$830m).

Trophy asset sales in an otherwise sluggish market are leading to some volatility in the country-level headline investment data. France, Italy and Spain all experienced solid growth in investment in the second quarter, while Germany and the Netherlands were more subdued.



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

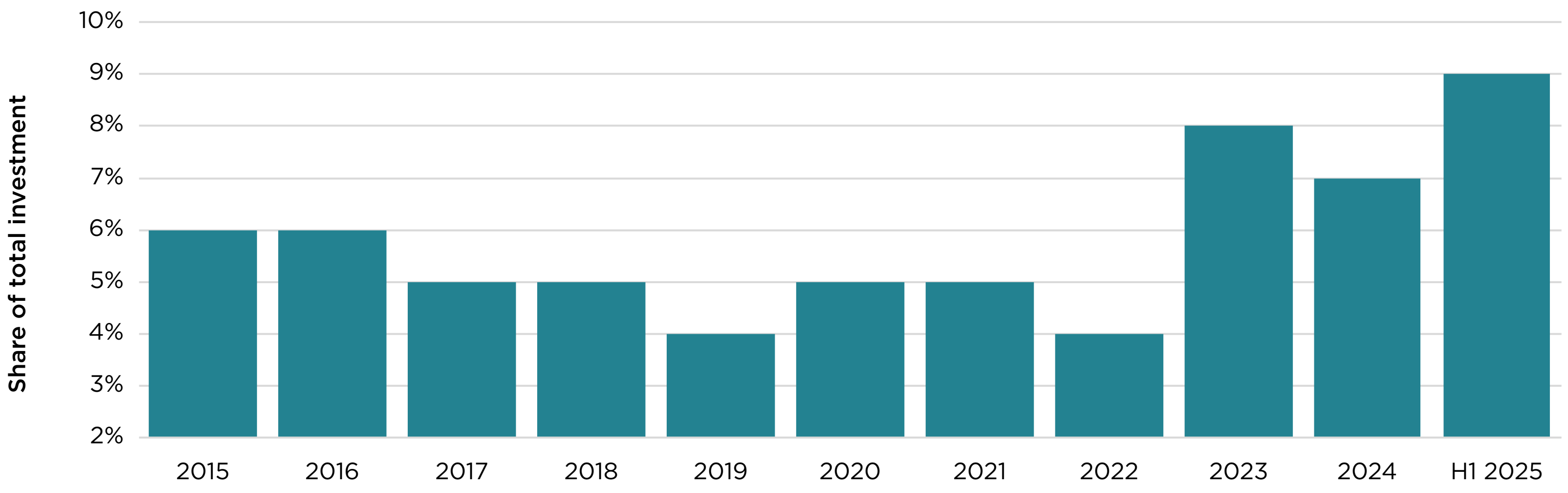
London remains below its long-term average, but posted a 50% increase in H1 investment, with a strong under-offer pipeline and rising level of stock boding well for H2.

However, as the saying goes, the data doesn't lie. Uncertainty persists and optimism is concentrated at the top end of the market. The definition of prime has narrowed considerably – assets lacking key attributes continue to struggle to meet vendor aspirations. Value-add capital is increasingly active, but location remains the critical factor as the one attribute that cannot be altered.

The investment market broadly mirrors the occupational market. Take-up across Europe rose by 10% y/y in Q2, leaving H1 up by nearly 8%. Core markets such as Amsterdam, Frankfurt, London City and Madrid led the recovery, driven by larger deals, although renewals still dominate overall leasing activity.

Vacancy rates have edged up, mainly due to older stock returning to the market. However, prime vacancy remains low at around 3% in core areas, and the development pipeline suggests little change ahead, barring a negative demand shock. In 2026, new completions are forecast to be the lowest in a decade, supporting rental growth of 4–5% on average. Growth is uneven, favouring undersupplied core CBDs in Western Europe. Tenant affordability is not a concern, with real rents still below 2019 levels.

EMEA: OFFICE DEALS FOR REDEVELOPMENT



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

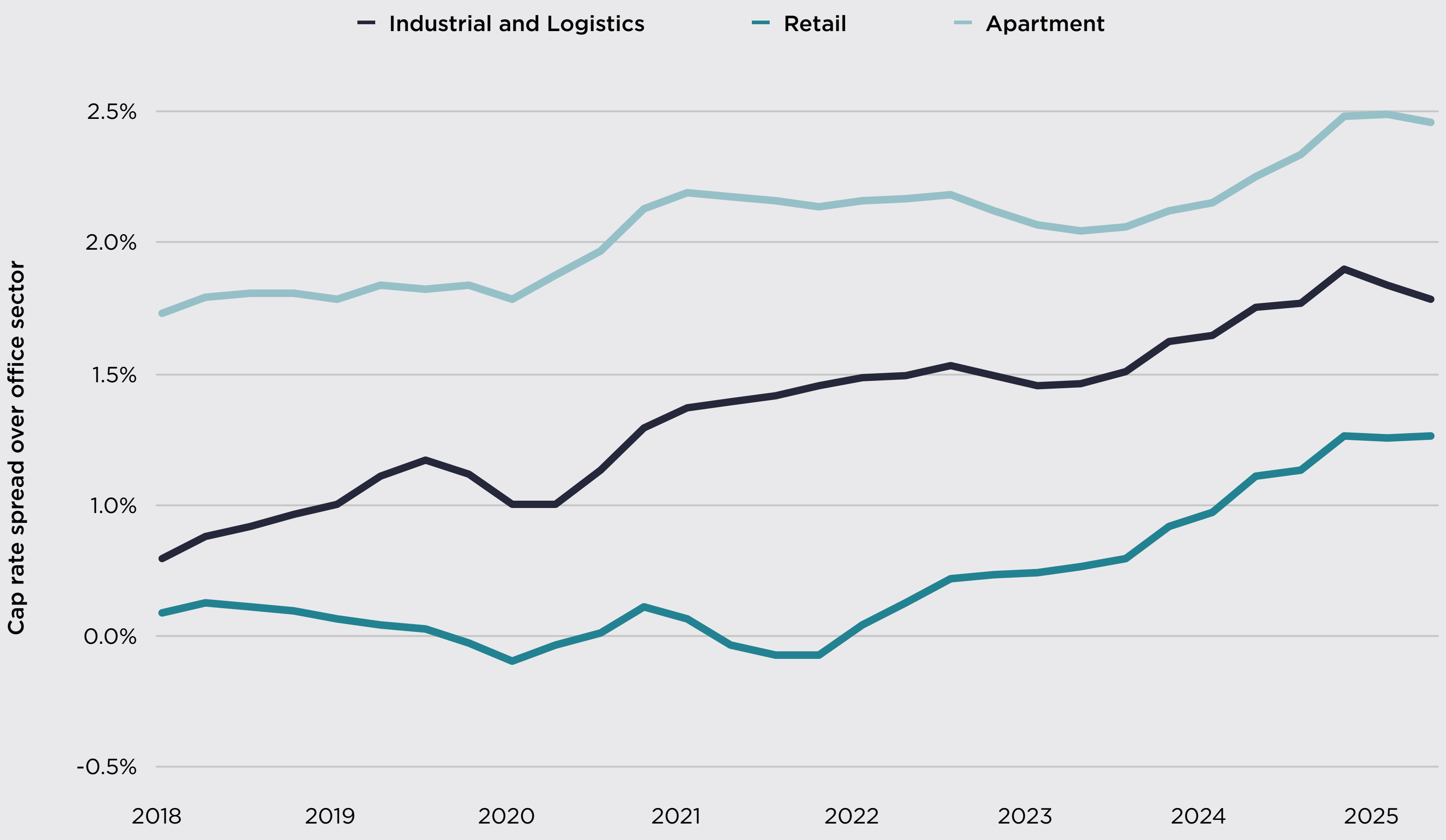
North America

There are signs of life returning to the US office market. Investment reached US$18.4bn in Q2, over 50% higher on the year, marking the third quarter of double-digit growth in the past 12 months – suggesting a trend rather than an anomaly. While this comes off a low base, with H1 investment still half of pre-Covid levels, sentiment is clearly shifting. This is supported by a rise in the number of assets trading and the average deal size.

New York is leading the recovery, accounting for 20% of year-to-date turnover, up from a long-term average of 15%. Three of the largest Q2 deals were in New York, including Blackstone's stake in 1345 Avenue of the Americas (which valued the property at US$1.4bn) and RXR Realty's purchase of 590 Madison Avenue for US$1.1bn – the first billion-dollar deal in New York in several years. Other active markets include San Francisco (+190% in H1 2025) and Los Angeles (+130%).

Several factors are supporting this nascent recovery. Office assets have repriced more than other sectors, with an average cap rate of 7.7%, according to MSCI – 80bps above retail, 130bps above industrial and logistics, and nearly 200bps above multifamily. Liquidity in debt markets has improved and CMBS issuance in early 2025 has been strong.

US: COMMERCIAL PROPERTY CAP RATES RELATIVE TO OFFICE



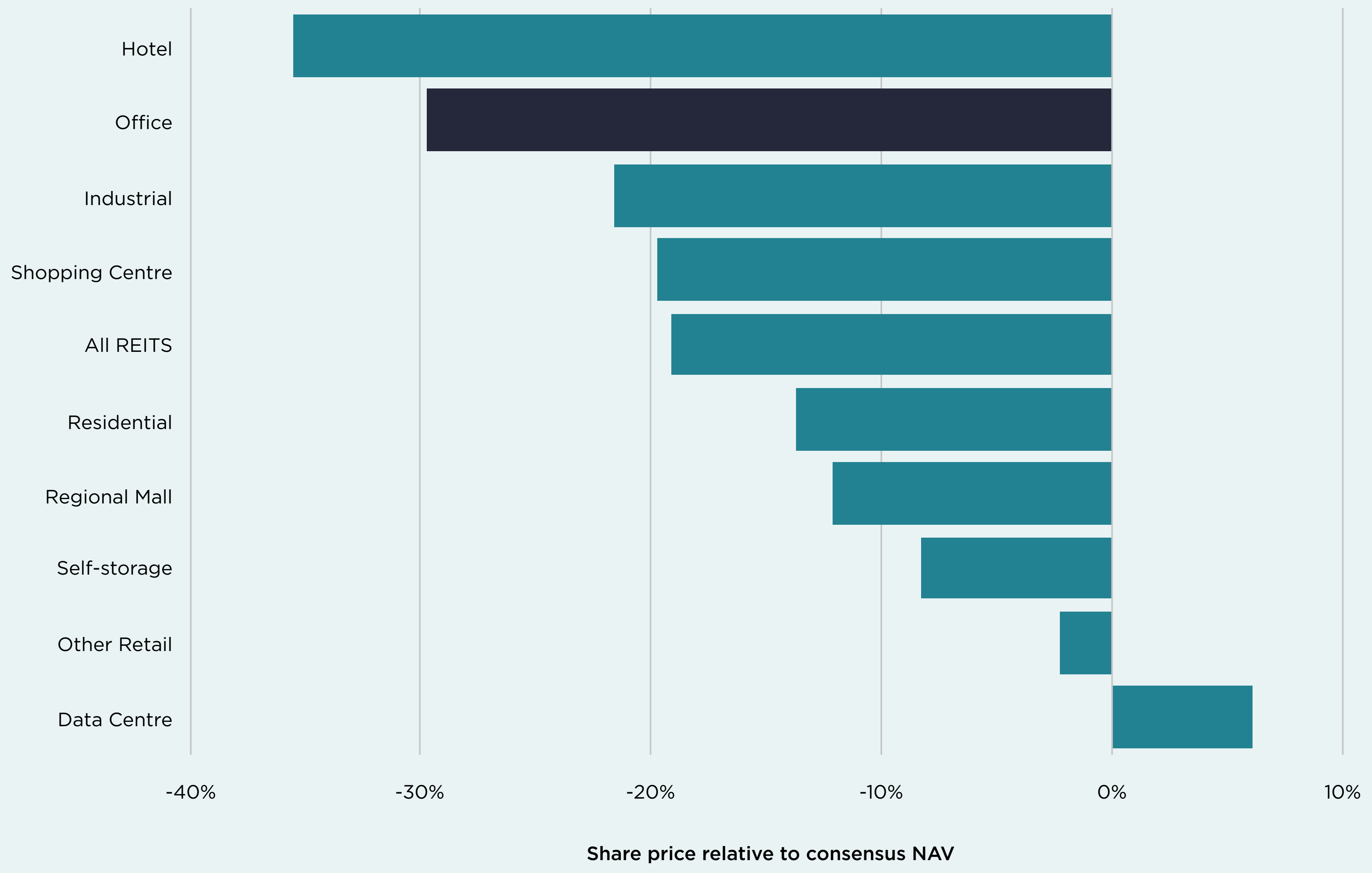
Source: Savills Research using MSCI RCA. Based on the modelled RCA Hedonic Series of cap rates.

This is prompting some investors to act, especially as the occupational market shows signs of improvement. Leasing activity in many markets now exceeds long-term averages. In New York, new leases and expansions make up two-thirds of leasing volume, mostly at the top end, although other segments are also seeing demand spill over. In San Francisco, a resurgent tech sector has pushed vacancy down by nearly 200bps over the past year.

However, the recovery remains uneven – focused on gateway markets and prime assets. Vacancy is still high and sustained leasing will be needed to absorb it, despite limited new supply. Office REITs continue to trade at a significant discount to NAV, reflecting ongoing investor caution. Notably, end-users have underwritten around 15% of acquisitions year-to-date, double the long-term average, indicating some opportunistic buying at rebased values.

Distress is also contributing to market liquidity. MSCI data shows 8% of Q2 transactions were linked to financial trouble. The CMBS delinquency rate remains elevated at 10.6% per Trepp, and S&P Global estimates bank NPLs tied to office assets are similarly high. Lenders still prefer workouts over forced sales, and MSCI reports that resolutions outpaced new distress in early 2025. Nonetheless, distress will continue to weigh on the market due to structurally vacant buildings and unserviceable loans.

US: MEDIAN PREMIUM/DISCOUNT TO NAV OF LISTED REITS



Source: Savills Research using S&P Global Market Intelligence. Based on end-June data. Residential includes multifamily, single family, and manufactured homes.

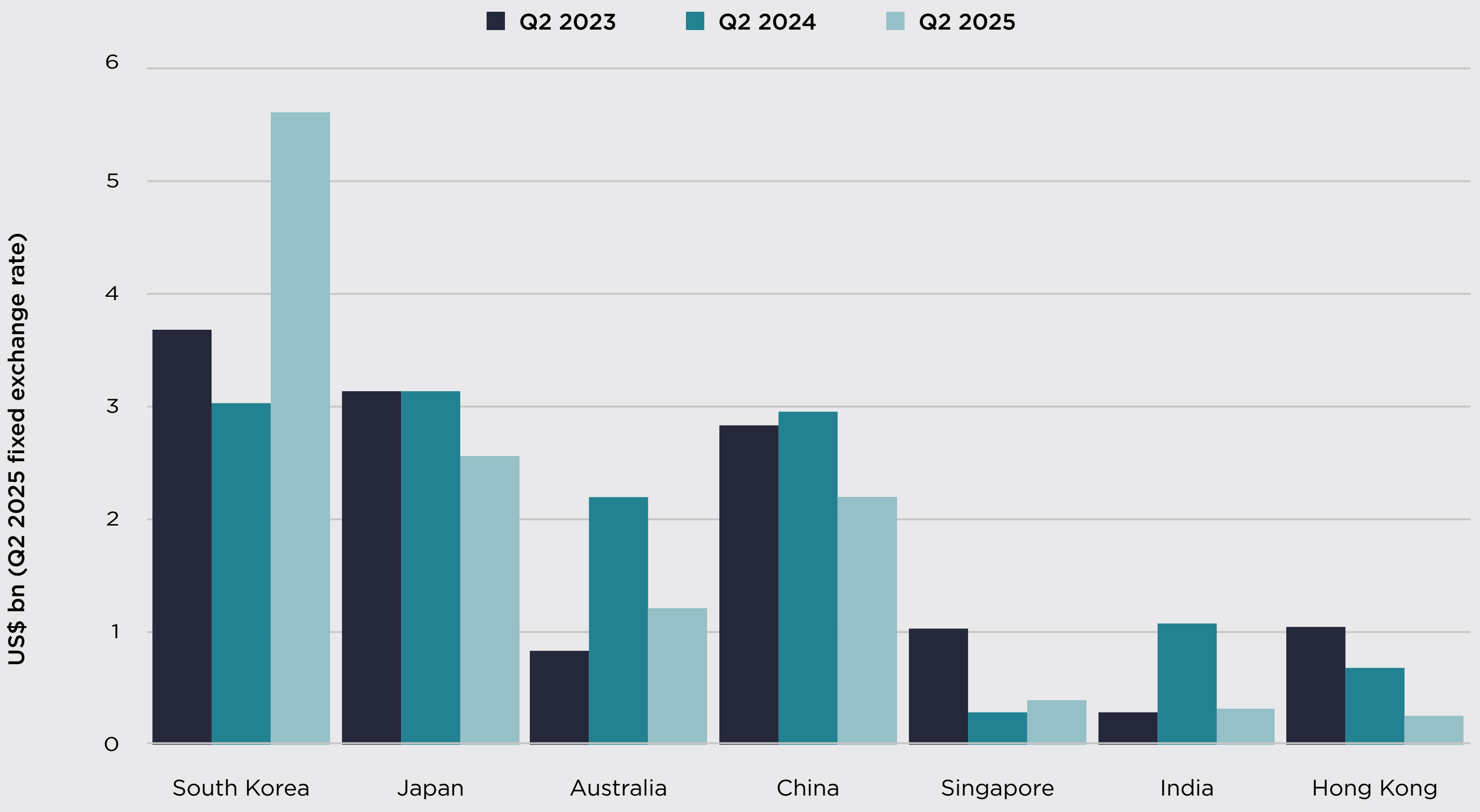
APAC

Office investment across the APAC region fell by 6% y/y in Q2, with US$12.8bn in office transactions completing in the quarter. This decline was largely due to reduced activity in Australia, China, India and Japan, though South Korea saw strong growth.

China's market was particularly subdued, with only CNY15.6bn (US$2.2bn) transacted in the quarter – over 27% down on the year. Foreign investors, responsible for about half of all sales, continue to seek exits, while domestic buyers, mainly insurers, are increasingly selective in their acquisitions. The weak occupational market is a key factor, with landlords cutting rents and offering greater concessions to attract tenants. Shanghai's grade A vacancy rate, currently 23.7%, is expected to rise further. This is pushing active capital towards better-performing sectors.

In contrast, Japan's occupational market remains strong, despite an 18% y/y decline in investment to JPY369bn (US$2.6bn) in Q2. However, this followed a strong Q1, leaving the half-year up by more than 7%. In Tokyo, robust pre-leasing is easing concerns about new supply in 2025. The vacancy rate in the central five wards fell 140bps over the past year to 1.5% in Q2. Rents have risen by more than 8% over the same period but remain 12% lower in real terms than in 2019, suggesting plenty of room for further growth. For context, corporate profits of office-based sectors across Japan have risen by more than 40% in this time.

APAC: TOTAL OFFICE INVESTMENT



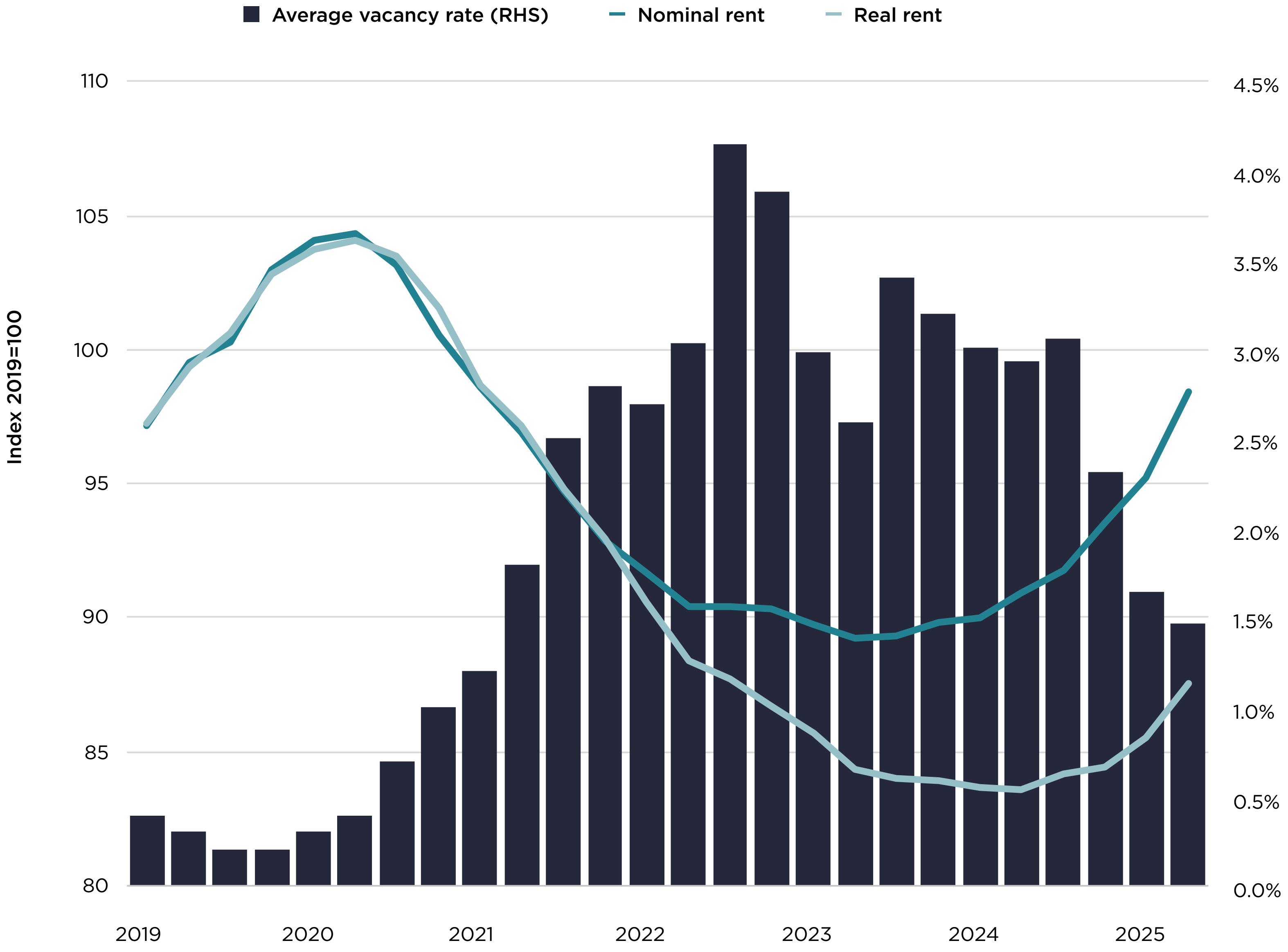
Source: Savills Research using MSCI RCA and Macrobond. Based on independent reports of properties and portfolios. Excluding development sites.

Low investment activity partly reflects limited opportunities, with landlords delaying exits due to favourable market dynamics. Bifurcation remains a key theme, and with the development pipeline thinning, value-add strategies are gaining traction. While location remains a critical differentiator, given increasingly tight leasing conditions at the top end of the market, the spotlight is falling on the potential repositioning opportunity of less accessible or older buildings.

In South Korea, investment rose by 86% on the year to KRW7.6tn (US$5.6bn), the strongest quarterly outturn in four years. Several large assets, each over KRW500bn, traded after extended marketing periods. In some instances, sellers were reported to have adjusted price expectations to close deals. Domestic investors continue to outbid international rivals, and end-users are particularly prominent in 2025, backing 40% of transactions this year to date –more than double the long-term average.

Market liquidity is supported by looser financial conditions. The Bank of Korea has cut the base rate four times since October, reducing debt costs by around 90bps. With prime yields stable at 4.25%, investors are achieving positive leverage and improved cash-on-cash returns. Despite a large volume of unsold assets, investor focus remains on core or attractively priced value-add opportunities. Several notable transactions, including the pending sale of the Pangyo Tech One Tower for around KRW2tn (US$1.5bn), will support turnover in the second half. From an occupational standpoint, the market remains landlord-friendly. Although income growth is softening and tenants are more sensitive to rent increases, limited new supply in 2025 is keeping vacancy below 4%.

JAPAN: TOKYO GRADE A OFFICE MARKET



Source: Savills Research using Macrobond

Q2 2025

Key transactions

Living

Multifamily portfolio, Atlanta, US

Sub-sector:	Multifamily
Units:	2,064
Price/NIY:	US$535m/High 4%
Vendor:	Blackstone
Vendor nationality:	US
Purchaser:	Equity Residential
Purchaser nationality:	US
Other comments:	The portfolio of eight properties in primarily suburban Atlanta locations has an average age of 16 years.

YouFirst Student Portfolio, France

Sub-sector:	Student accommodation
Units:	3,700
Price/NIY:	€540 (US$560)/4.8%
Vendor:	Gecina
Vendor nationality:	France
Purchaser:	Nuveen Real Estate and GSA Group
Purchaser nationality:	UK
Other comments:	A portfolio of 18 assets is 80% weighted to Paris, with other assets located near Bordeaux, Lille, Lyon and Marseille. The deal represents the first for GSA in France.

Logistics

Mapletree industrial portfolio, Singapore

Tenant:	Dell Technologies, Labcorp Development and others
Lease length (WAULT):	Undisclosed
Area:	167,225 sq m
Price / NIY:	S$535m (US$413m) / 5.9%
Vendor:	Mapletree
Vendor nationality:	Singapore
Purchaser:	Brookfield
Purchaser nationality:	Canada
Other comments:	This transaction, Brookfield's first in Singapore, is expected to complete in Q3 and is composed of three properties – two R&D-focused business parks and a high-tech industrial building complex.

Urban Logistics REIT, United Kingdom

Tenant:	Multiple
Lease length (WAULT):	8 years (to lease break)
Area:	8.8m sqft
Price / NIY:	£699m (US$940m) / 5.2%
Vendor:	LondonMetric
Vendor nationality:	United Kingdom
Purchaser:	Urban Logistics
Purchaser nationality:	United Kingdom
Other comments:	This acquisition is the latest in a series by LondonMetric over recent years, increasing their portfolio size to £7.3bn, with logistics accounting for 55% of assets.

Offices

590 Madison Avenue, New York, US

Tenant:	Multiple including LVMH, American Securities, Apollo Global Management, the Corcoran Group.
Lease length (WAULT):	Undisclosed
Area:	1m sqft
Price / NIY:	US$1.1bn/Undisclosed
Vendor:	State Teachers Retirement System of Ohio and EJME
Vendor nationality:	US
Purchaser:	RXR Realty and Elliott Investment Management
Purchaser nationality:	US
Other comments:	The acquisition of 590 Madison Avenue, known as the former IBM building, is expected to be the first billion-dollar office transaction in New York in several years.

KDB Life Tower, Seoul, South Korea

Tenant:	Multiple including CJ Olive Young, KDB Life Insurance, Google Korea.
Lease length (WAULT):	Around three years
Area:	883,890 sqft
Price / NIY:	KRW674.4bn (US$497m)/4.1%
Vendor:	KB Asset Management
Vendor nationality:	South Korea
Purchaser:	CJ Corporation
Purchaser nationality:	South Korea
Other comments:	CJ Olive Young, one of the largest cosmetic and beauty product companies in South Korea, was selected in a competitive process ahead of four other bids, including a large institutional US investor. KDB Life Tower has been their headquarters since 2021 and the sale is indicative of a wider trend of own-occupiers acquiring their leased buildings. Savills acted on behalf of 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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