

Intelligent Investment

France Real Estate Market Outlook 2025

REPORT

REAL ESTATE

CBRE RESEARCH



Executive Summary

- The French economy is expected to return to low growth in 2025 at less than 1%. The current climate of uncertainty is likely to weigh on confidence and, consequently, on both household consumption and business investment. Conversely, the decline in interest rates, depending on its extent, will support the economy.
- Against this backdrop, investment markets stabilised at a low point in 2024. In the wake of a recovery already underway in Europe, volumes are expected to increase slightly in 2025, though not enough to be considered a full-fledged rebound.
- By asset class, while the office market remains in recovery, 2025 looks promising for several other categories in high demand, especially logistics, residential, and hotels. For all asset classes, investment decisions will be conditional on compliance with ESG criteria.
- Lastly, in terms of rental demand, 2025 is expected to be a nuanced year. We anticipate a recovery in occupier markets, particularly for offices and logistics, but on the basis of a 2024 financial year well below historical averages. For the retail sector, while caution is warranted given sluggish consumer spending, retailers are, at this stage, maintaining their expansion plans with the aim of strengthening their concept and brand identity to enhance the customer experience.



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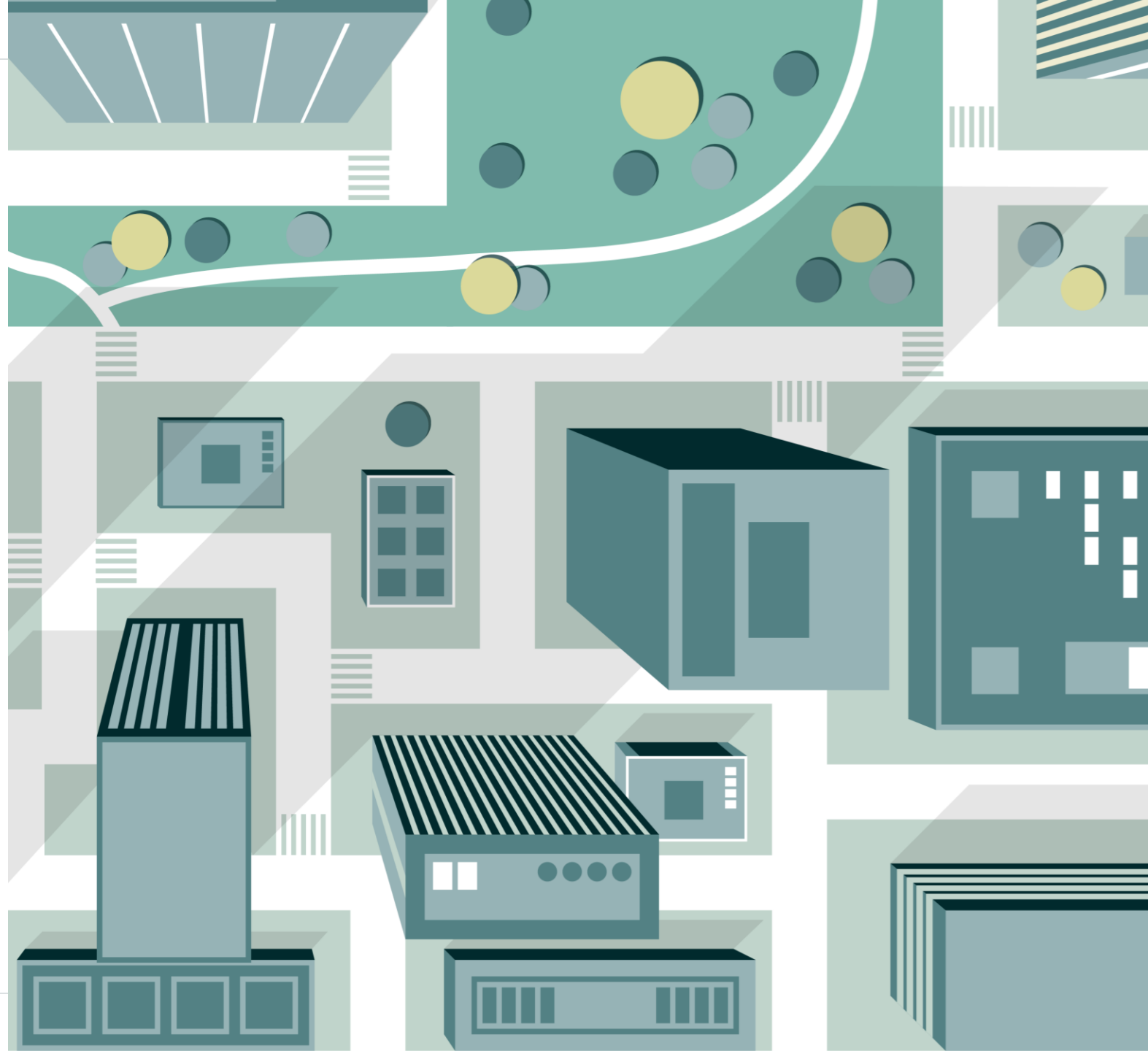
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01 Economy

French growth will remain weak in 2025, in view of the obstacles to a full recovery of demand, in particular private consumption. Special attention should be pay to employment, which showed its first signs of weakness in mid-2024.



01
Economy

Continued weak growth in 2025

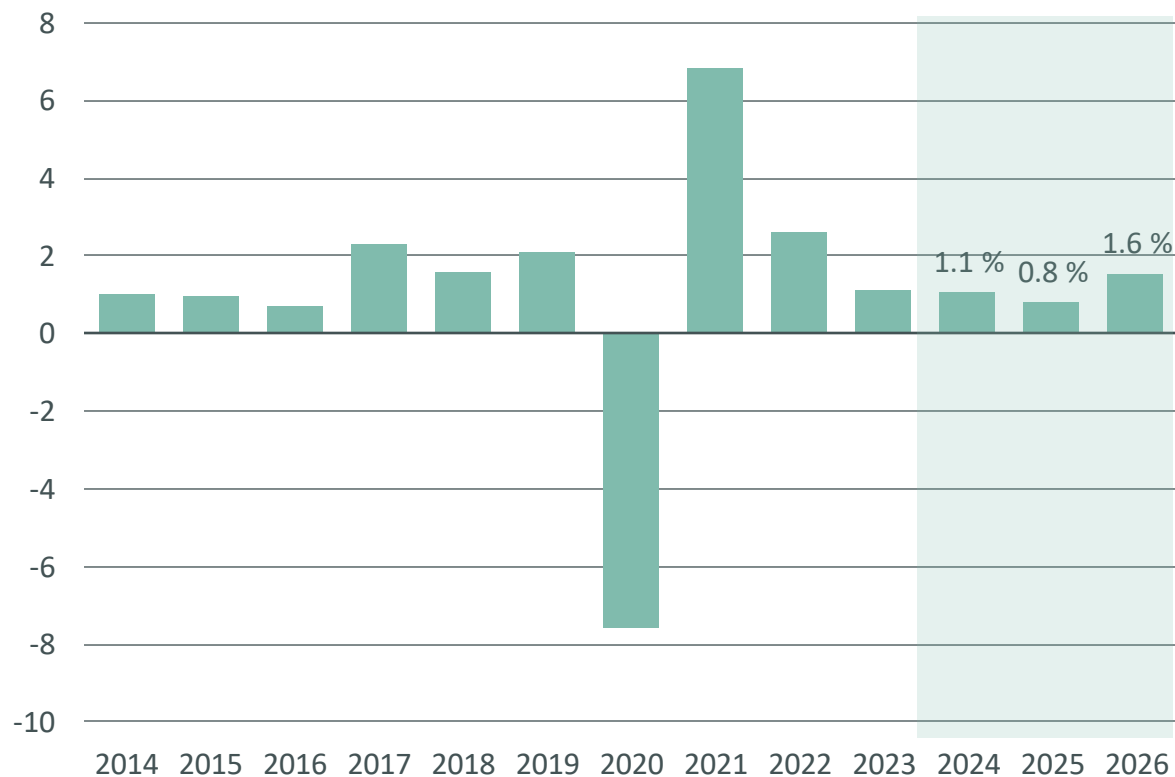
After already slowing in 2023 (+1.1%) and 2024 (est. +1.1%, source: INSEE), the French economy is not expected to see a real rebound in 2025. Economic and political uncertainties are holding back demand at a time when the fall in inflation and the easing of financing conditions could have raised hopes of an improvement.

Despite the slowdown in prices and a slight boost from the 2024 Paris Olympics, consumption grew timidly throughout 2024. Households continue to have a wait-and-see attitude and remain cautious, reinforced by the current political climate. Meanwhile, investment is declining, fully impacted by the effects of the restrictive monetary policy introduced from 2022. While the rise in interest rates, particularly for real estate, has negatively affected household investment, the deteriorating outlook for business activity is also limiting investment by companies.

For 2025, activity will continue to be constrained by the wait-and-see attitude of agents, particularly about their investment decisions, despite the European Central Bank’s efforts to cut key interest rates. Consumption should regain some momentum but without reaching its full potential. As a result, French growth is projected to reach +0.8% in 2025.

We will have to wait until 2026 to see a clearer upturn in demand, as the economic and financial obstacles fall away. Growth would then rebound to +1.6% over this period.

Figure 1: GDP growth in France



Sources: INSEE, Oxford Economics

With inflation under control, what will be monetary policy for 2025?

INFLATION IS BACK AT OR EVEN BELOW THE 2% MARK

After reaching record levels in 2022 and 2023, price increases slowed sharply in 2024, particularly in the food and manufacturing sectors.

Against a backdrop of geopolitical turmoil and slightly lower global demand, energy prices also stabilised.

Conversely, the rise in service prices remains strong, driven by the continued pass-through of production costs (particularly labour costs) to selling prices.

For 2024 as a whole, inflation is expected to average around +2%. In the first part of 2025, it is expected to be driven by rising service prices but remain below 2%. On average, inflation is expected to reach +1.4% in 2025.

MONETARY POLICY: 2025 COULD BE FULL OF SURPRISES

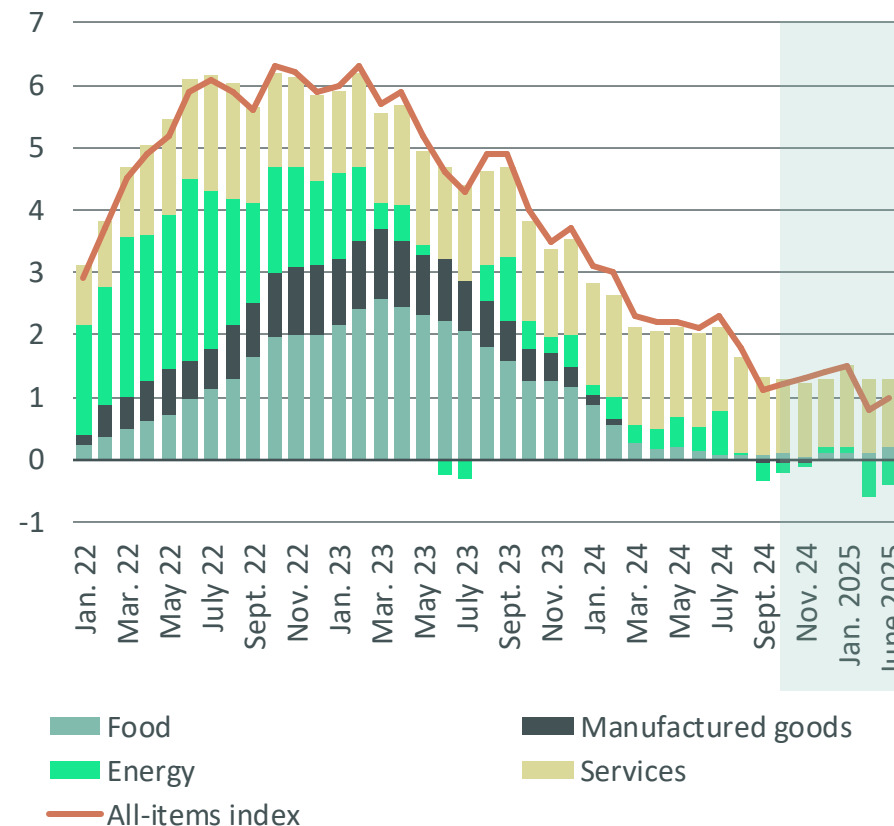
The long-awaited rate cuts by the Federal Reserve (Fed) and the European Central Bank (ECB) began in the summer of 2024. The ECB, in particular, was more responsive and aggressive in lowering its rates, in line with the sharp decline in inflation in the Eurozone. At the end of 2024, the refinancing rate was 3.15%, and the federal fund rate was 4.50%.

For 2025, the consensus remains that the easing of key interest rates will continue, albeit with a difference in pace between the two blocs.

In the United States, the monetary authorities will undoubtedly be more cautious, given the potential inflationary effects of the new administration's policies.

For its part, Europe will be torn between the need to reinvigorate its economy and the continuing risk of inflation, as well as the impact of too much divergence from the Fed.

Figure 2: Inflation by item (%)



Source: INSEE

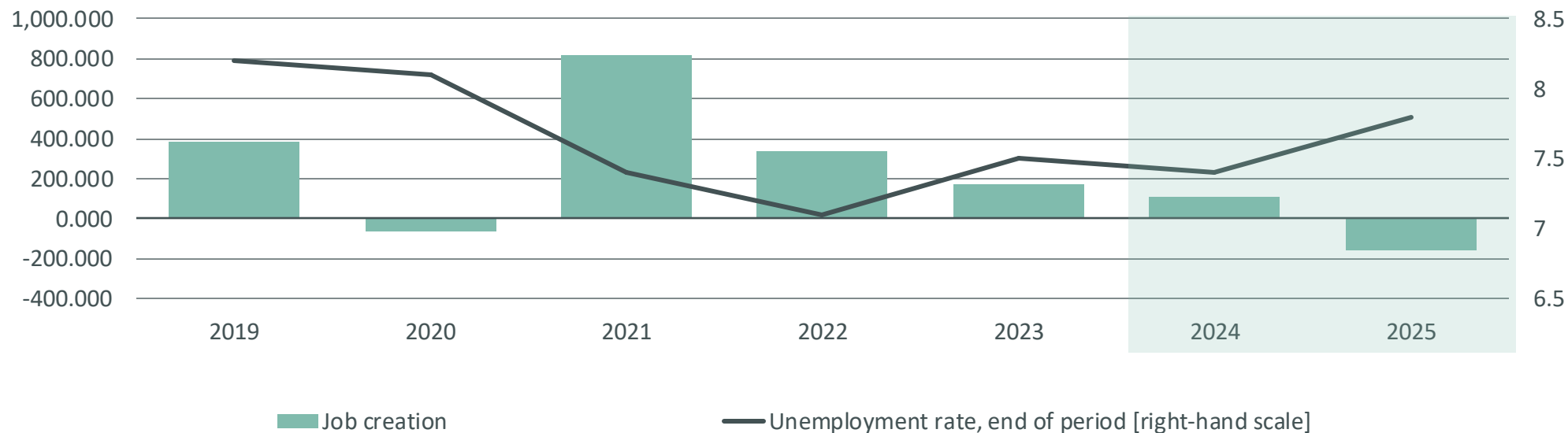
A watchful eye on employment

While the unemployment rate remained relatively stable in 2024 (around 7.5%), some upward pressures were already being felt towards the end of the year. Job creation slowed in 2024 (+113,000, after +175,000 in 2023), reflecting bleak economic prospects, particularly in the construction sector.

Moreover, the end of government aid for businesses and the increase in working hours significantly constrained employment in 2024 and will hinder its momentum in 2025. Lastly, the concerning trend of business failures will undoubtedly impact employment.

Overall, nearly 150,000 jobs are expected to be lost over the course of 2025. With the slowdown in employment and the effects of the pension reform on the labour force, the unemployment rate is expected to rise throughout 2025, reaching around 8% by the end of the period.

Figure 3: Job creation and unemployment rate (France, excluding Mayotte)



Sources: INSEE, OFCE

02 ESG

Investment markets should see a gradual but uneven recovery in 2025. Roadmaps and investment decisions will be increasingly influenced by variable criteria regarding asset type and quality, with the ESG theme being fully integrated.



From caution to action

2024 set a grim record as the highest average temperature ever recorded. The numerous climate events that once again defined 2024 are clear evidence of the urgent need to act to limit global warming. And real estate is a major emitter of greenhouse gases, particularly through buildings, across their entire life cycle: from construction to operation. The real estate industry therefore has a key role to play. At a time when the OPERAT platform is beginning to deliver its first results, ideological considerations aside, both European and French regulations require everyone to incorporate it into their roadmap.

Beyond real estate's impact on the environment, its resilience to climate events is a central issue: heatwaves, storms, floods, and soil degradation threaten buildings a little more each day, placing at risk the very structures at the heart of the real estate value chain. And as a direct consequence, so do those who inhabit, rent, and use these spaces—making the social impact just as critical.

A MARKET MOMENTUM TO ACCELERATE

Investment markets should see a gradual but uneven recovery in 2025. Roadmaps and investment decisions will be increasingly influenced by variable criteria regarding asset type and quality, with the ESG theme being fully integrated.

Beyond each investor's willingness to act with purely virtuous intentions, the sustainability of assets and the preservation of their financial value will become increasingly central in the face of these risks and future obsolescence. The current real estate landscape, which has experienced significant value declines, presents a strategic momentum for driving transformation. Today, the focus is no longer on seeking to generate a premium on an asset but rather on avoiding its depreciation.



ESG and value creation: a winning combination

This green value is not imaginary. It is based on increasingly objective and, above all, drastic criteria, commensurate with the need to act in the face of climate change. In this context, the ISR label tightened its eligibility criteria as of 1 March 2024. As of 1 January 2025, 943 funds hold the ISR label, compared with over 1,200 at the beginning of 2024, illustrating the impact of the new framework, which has excluded the weakest performers who failed to comply.

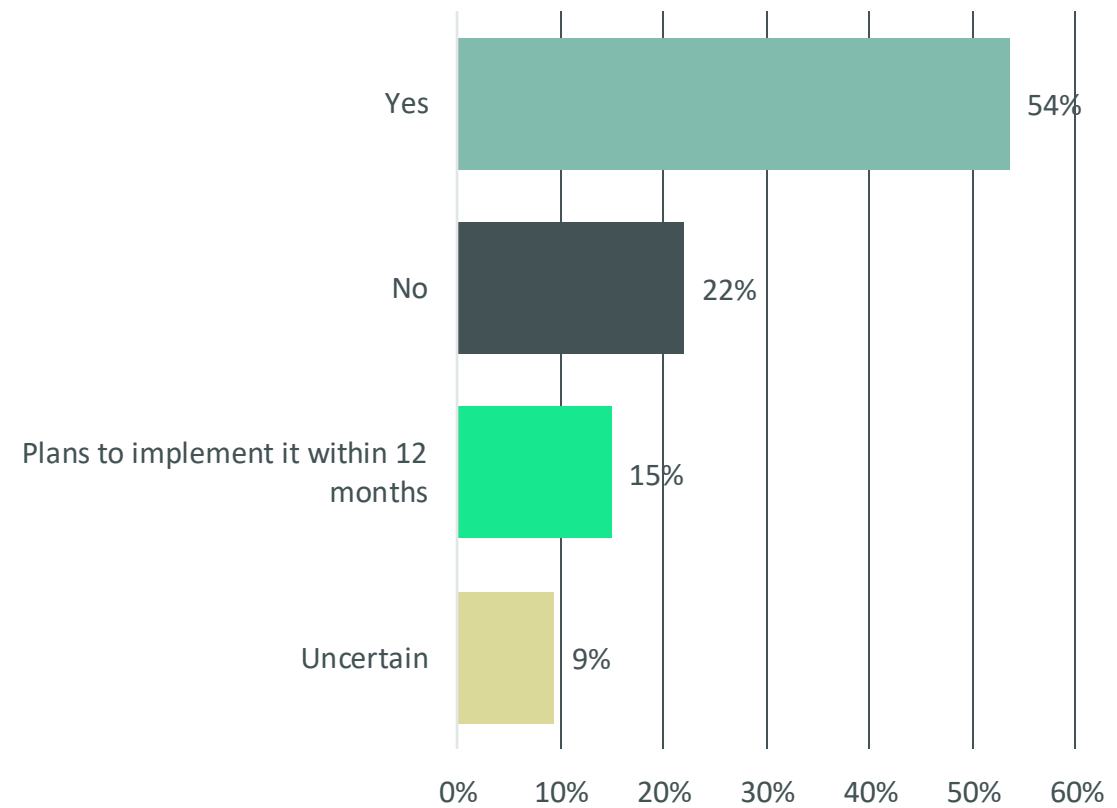
A SHIFT IN PERCEPTION THAT COULD IMPACT REAL ESTATE VALUES

Sustainability criteria are no longer just optional improvements. They have become the standard, fully integrated into the real estate industry. Rents for buildings that meet ESG standards are often more resilient, especially as better-controlled rental charges help balance overall rental costs. Conversely, for buildings that are not “ESG-compatible”, rents are often fiercely negotiated. For assets in comparable locations, investors are often willing to pay a little more for properties that meet ESG criteria, as they can sometimes offer better rental yields and, more importantly, preserve their market value over time, demonstrating a real ESG risk premium.

ESG: A KEY CRITERION FOR LENDERS

Financial institutions will continue to strengthen ESG criteria in the financing of real estate transactions. In line with their objectives to reduce the carbon footprint of financed portfolios, banks will be even more selective in refinancing assets requiring compliance upgrades. The need to allocate capital expenses in alignment with financing security strategies will be a priority on property owners' agendas.

Figure 4: Are lenders willing to offer margin reductions for ESG-compliant assets?



Source: CBRE European Lender Intentions Survey 2024

CSRD reporting: an essential requirement

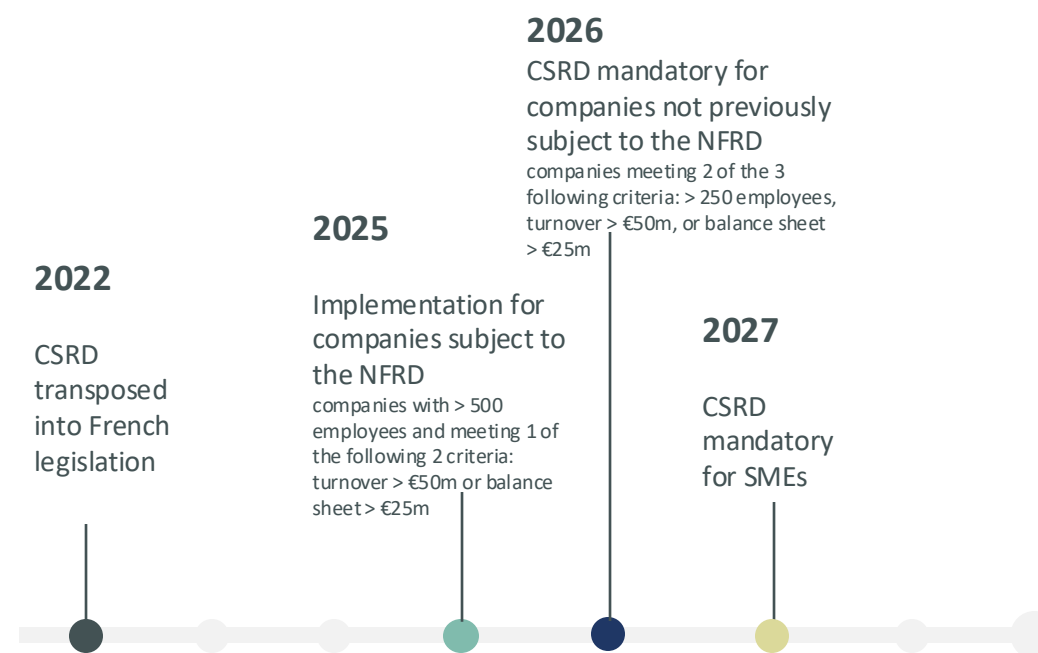
The Corporate Sustainability Reporting Directive (CSRD) is no longer just an option for many companies and will continue to expand to cover all businesses within the next two years. Through non-financial reporting, the CSRD aims to create transparency regarding the environmental and social impacts of a company's activities, applying the double materiality principle—which considers both the company's impact on the external world and the external world's impact on the company itself.

While French law already requires large companies to exercise a duty of care, the Corporate Sustainability Due Diligence Directive (CS3D)—a stricter European directive—will reinforce these obligations and apply to a wider range of businesses by 26 July 2026.

These directives will require compliance from around 50,000 companies, collectively representing 75% of the total revenue of businesses in the European Union. These regulatory requirements pose significant challenges for companies, as the processes for data collection and third-party audits will require substantial financial and time resources.

However, reporting is just the tip of the iceberg—a monitoring tool, not an end in itself. Beyond this transparency requirement, the ultimate goal is to raise awareness among all economic stakeholders and to embed, at the core of every company's business model, a strategy that guides actions to combat climate change.

Figure 5: Timetable for implementation of the CSRD



NFRD: Non-Financial Reporting Directive.
CSRD: Corporate Sustainability Reporting Directive
Source: CBRE Research, January 2025.

03

Investment

While the recovery is underway in Europe, the investment market appears to be stabilising in France. 2024 is expected to be a low point for the market, and volumes are expected to increase slightly in 2025, though not enough to constitute a full recovery.



Ongoing uncertainties

RECOVERY UNDERWAY BUT GRADUAL IN EUROPE

With an estimated €192 billion invested in the European real estate market, 2024 ended on a positive note, with investment volumes up 15% on the previous year. This positive European momentum is expected to continue in 2025, with an anticipated 20% increase. Several factors are aligning to support this recovery: a better alignment between buyer and seller expectations on pricing, the need to refinance or sell certain assets if refinancing conditions are not attractive enough, the necessity for some investors to regain liquidity amid high redemption requests, and the overall improvement in financing conditions, facilitating the use of leverage.

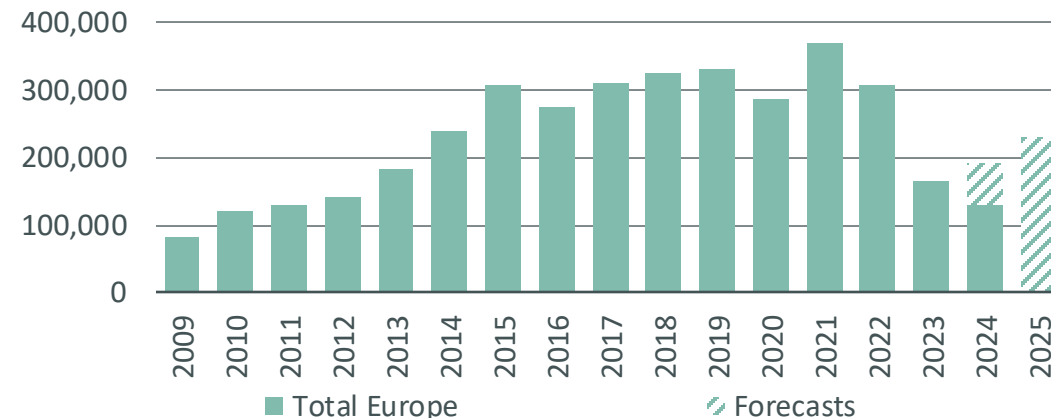
These elements should encourage investors to return to the real estate market, leading to greater capital turnover. On the seller side, more properties are expected to come onto the market. All the conditions are in place to support a recovery, though it will remain gradual due to ongoing uncertainties: on the one hand, regarding economic growth and the inflation/interest rate dynamic, and on the other, concerning geopolitical tensions and their impact on international capital flows.

LESS PROMISING OUTLOOK FOR FRANCE

The momentum of the French real estate market appears less favourable, with volumes stabilising in 2024. While 2025 could have started under better conditions, political instability and the failure to pass the budget have darkened the outlook. The concerning state of public finances has been met with consequences: Moody's downgraded France's long-term credit rating and lowered the ratings of seven French banks. The 10-year GVT Bond has once again risen above 3%, further increasing the cost of debt and complicating the already challenging public finance situation.

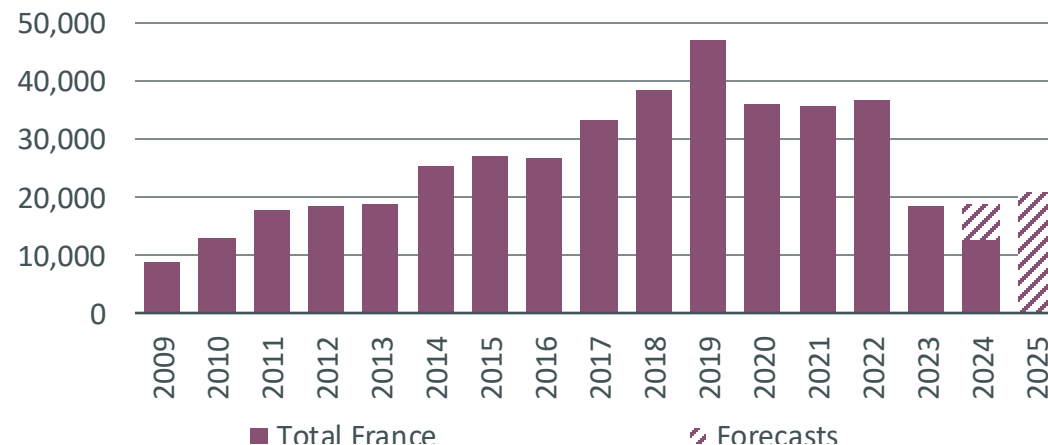
In an increasingly uncertain global environment, a true recovery now seems pushed back to 2026. That said, after hitting a low in 2024, 2025 should still see a slight rebound.

Figure 6: Investment in Europe (real estate, all asset classes) in €M



Source: CBRE Research and CBRE Global Analytics & Forecasting, provisional data

Figure 7: Investment in France (real estate, all asset classes) in €M



Source: CBRE Research France, provisional 2024 data for the hotel, healthcare, and residential sectors

Will supply meet demand?

INVESTMENT CRITERIA REMAINING HIGHLY SELECTIVE

2025 points to an increase in real estate allocations and significantly greater fundraising than in 2024. However, questions remain about equity allocation, given the continuing volatility of risk premiums. Once again this year, capital will primarily flow into opportunistic and value-add strategies, although some funds are beginning to return in search of secure yields in a market that remains highly selective, narrow, and consequently expensive.

2025 will likely present an appealing window of opportunity for value-add and opportunistic strategies, allowing investors to benefit from declining property values, the recent decrease in the cost of capital, and an anticipated rise in asset disposals.

Ultra-secure rental fundamentals will continue to be the cornerstone of strategies this year. To build more resilient portfolios, investors will continue to diversify, seeking to identify long-term megatrends that are less dependent on economic cycles or (geo)political uncertainties and that will create long-term value even if that means accepting lower short-term returns in some cases.

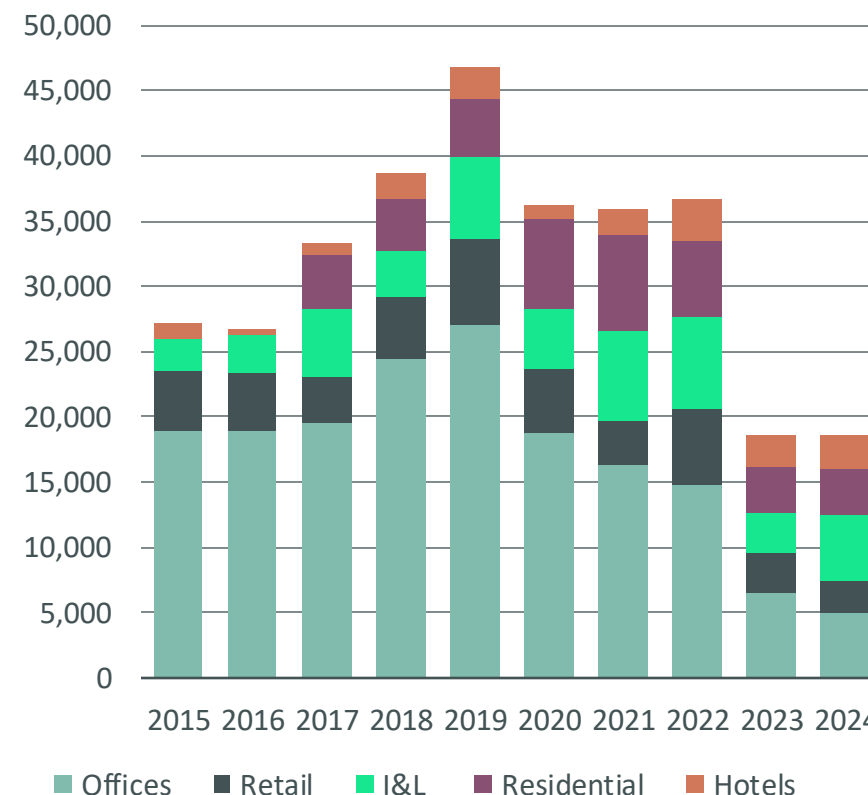
WHICH ASSET CLASSES WILL BE MOST IN DEMAND IN 2025?

Logistics attracted a great deal of interest in 2024, and this trend will continue in 2025. Despite a decline in consumption, this asset class still benefits from strong fundamentals and has the advantage of having generally completed its price correction phase: the prime yield even began to compress slightly (-10 bp) at the end of 2024. However, supply remains insufficient relative to demand, and this imbalance will likely be the main constraint on transaction volumes in 2025.

Living will also be in high demand. While the supply of residential real estate may be sufficient in quantitative terms, the return on the resilience of this asset class may not always be in line with buyers' profitability expectations. Student residences offer promising prospects, although supply remains limited. As for senior service residences, the operating model landscape is not yet entirely favourable.

The price correction should have paved the way for a rebound in capital flows towards retail in 2025, but the unfavourable economic climate is likely to dampen potential buyers' enthusiasm. The market will remain highly concentrated on high-street retail, retail parks, and grocery-anchored stores in 2025.

Figure 8: Investment by asset class in France (in €M)



Source: CBRE Research & Immostat, Q4 2024 (consolidated data for standard commercial property, but provisional data for residential and hotels)

03

Investment

WILL OFFICE BASHING CONTINUE?

Volumes invested in the office market have fallen sharply in recent years, a trend that was particularly pronounced in 2024. In 2025, this market is expected to stabilise and even see a slight improvement, given the low point reached this year for this asset class. Nevertheless, the historically dominant position of offices in the French investment market will continue to weigh on volumes and the overall recovery timeline for the French real estate investment market.

The office investment market is set to remain extremely granular for another year, and investors will continue to focus on smaller deals. That said, 2025 could see the return of a few large-scale deals, which had largely disappeared from the market. The sale of Trinity to Norway's sovereign wealth fund, Norges Bank Investment Management (with URW selling 80% of the asset), expected to close in Q1 2025, is a positive early signal for the start of the year.

From a territorial perspective, investors are expected to remain highly focused on a very limited number of locations. Capital will continue to follow rental demand pressure, with a preference for inner Paris and a few well-connected outlying locations where the outlook in terms of take-up is reassuring.

The office rental market will be impacted by the deteriorating economic conditions, which are offsetting some of the positive effects of recent announcements encouraging a return to the office. The liquidity of this asset class will therefore depend on both:

- sellers: whether they decide to move forward with sales (and accept price corrections that crystallise significant value losses);
- occupier strategies: if economic conditions dampen demand for central locations, pushing companies towards more cost-effective locations. A renewed investor interest in secondary markets, which have been hit hard over time, will therefore depend on the resilience of the French economy and the potential return of cost-cutting strategies on the part of occupiers.

For now, the risk premium gap continues to widen between the CBD, where yields are compressing slightly due to intense competition for prime assets, and most other locations in the Paris region, where rates are at best stabilising or, in some cases, continuing to decompress. The first half of 2025 should logically extend these trends.

THE BIOCLIMATIC PLU: A DOCUMENT NOW IN FORCE

Following a public hearing phase marked by extensive debate, the City of Paris approved its Bioclimatic Local Land-Use Plan (PLU) on 20 November 2024. After passing the legality review, this document is now enforceable and sets out the rules that will govern real estate projects in Paris for the next 15 to 20 years.

Several modifications have been made compared with the version adopted in June 2023. A key point of focus is the “pastillage” process (designation of reserved spaces for housing), which underwent amendments. A number of buildings were removed from this designation, reducing the number of dedicated housing sites from 946 to 828. Among these are office buildings that had been mistakenly classified for residential conversion, where transformation into housing was unfeasible.

Just as important, if not more so, is the revision of the definition of “major restructuring”, which had raised many concerns. The City of Paris has clarified that energy efficiency improvements and regulatory compliance upgrades do not fall under the category of major restructuring. Instead, major restructuring remains defined as substantial structural modifications (15% of the structure, excluding foundations). Other notable adjustments include a slight modification of the functional mix rule, reintroducing the possibility of increasing commercial floor space when housing is developed within designated residential expansion areas.

On 14 November, to facilitate the implementation of the new PLU, the City of Paris announced the launch of the “Architectures parisiennes exemplaires” (APEX) initiative, which enables the selection and support of pilot projects. Selected projects will benefit from expedited administrative procedures, supported by a dedicated team, with the goal of filing building permit applications by summer 2025. Property owners and developers interested in the APEX initiative are invited to submit applications by 17 January. Projects must meet one or more exemplary criteria, which will be evaluated by an expert committee composed of representatives from the City of Paris and its partners.

04

Offices

As a consequence of a sluggish economy and political uncertainty, the office occupier market experienced a decline in 2024. It is not expected to see a clear recovery in 2025.



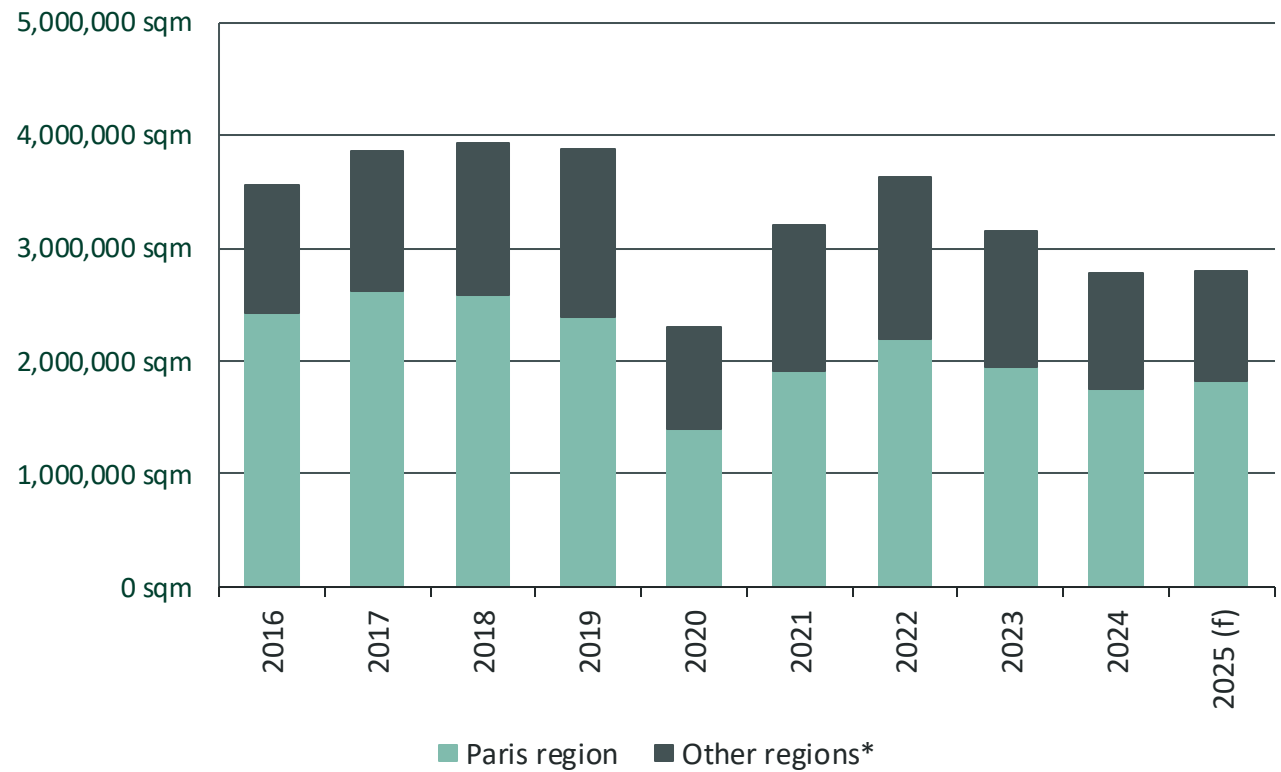
Offices navigating with limited visibility

Following the trend observed in 2024, the office market is expected to remain subdued in 2025, in contrast to the European market, where some signs of improvement are emerging. This is partly due to the uncertain economic and political climate.

The lack of an approved 2025 national budget, downward revisions to growth forecasts, and the rising number of business failures are fuelling uncertainty, leading office occupiers to adopt a wait-and-see approach. This trend, already evident among businesses in 2024, could intensify in 2025, resulting in a higher volume of lease renegotiations at the expense of new leasing activity, particularly in the Paris region. Another consequence of weak economic conditions and a slower job market is the decline in companies seeking to relocate for expansion purposes. For example, only 20% of ongoing lease negotiations in the Paris region are linked to expansion needs, compared with 40% in 2024. In 2025, certain demand drivers already present last year will persist, particularly the desire to optimise real estate costs, as well as the search for central locations and the modernisation of workspaces to support hybrid work models. The return to more in-person work, which began in 2024, will continue to influence office take-up.

As for the coworking market, which is more volatile and vulnerable to economic cycles, the slowdown in activity could be sharper with shorter lease commitment periods.

Figure 9: Take-up



* Aix-Marseille, Bordeaux, Lille, Lyon, Nantes, Nice-Sophia, Rennes, and Toulouse

Source: CBRE Research, January 2025

04
Offices

An ever-growing supply

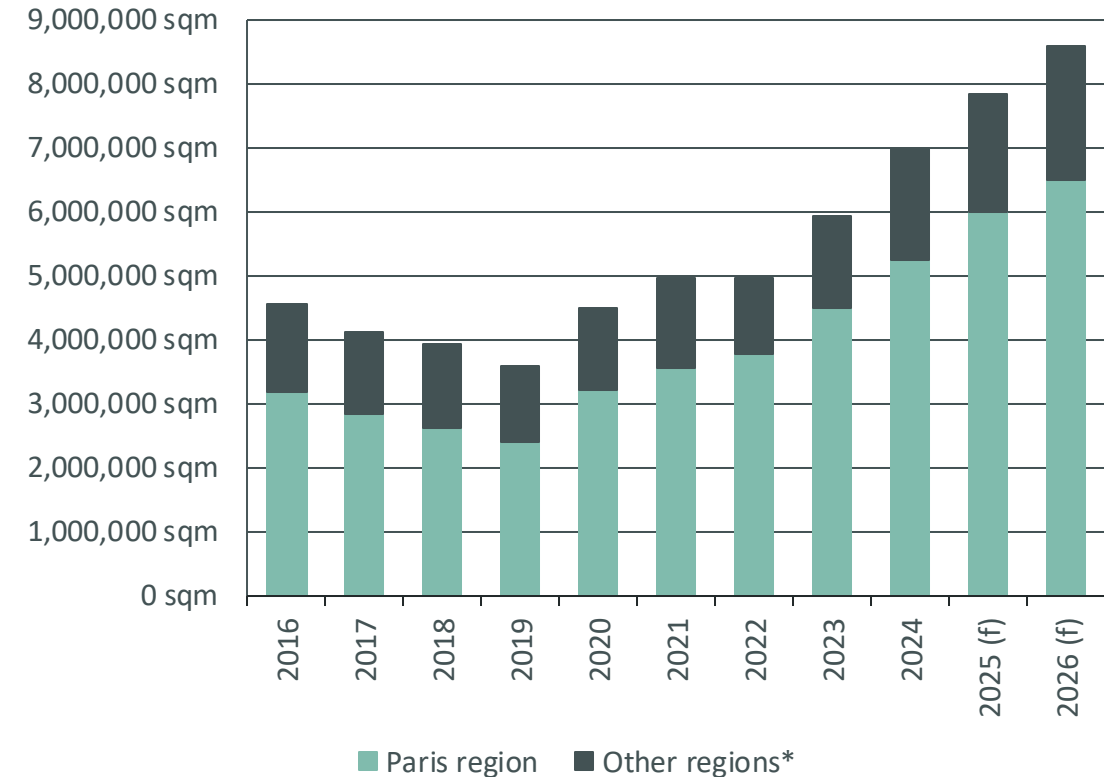
Vacant space remained very high in France at the end of 2024, totalling nearly 7 million sqm, including 5.2 million sqm in the Paris region and 1.7 million sqm across the eight largest regional metropolitan areas. The stock of vacant offices will remain high in 2025, but there will still be plenty of future supply available in 2025, with 1.2 million sqm identified in the Paris region and 350,000 sqm in other regions.

While the Paris region office market will continue to be oversupplied, with vacancy levels reaching a high plateau, the market outside the Paris region is regaining some momentum with a vacancy rate of 5%. The production of new office space will remain deficient in 2025, with barely 200,000 sqm of new space expected by the end of the year. Most of the vacancy will continue to be driven by newly vacated space.

In the medium to long term, the availability of high-quality office space could decline due to a slowdown in building permit applications and new project launches in the most sought-after districts. Even though the decline in inflation and falling interest rates are positive developments, they will not be enough to spur new project launches. In the Paris region in particular, the banking sector’s reluctance to finance new developments and ongoing concerns about the market’s ability to absorb supply will continue to hold back new projects.

Faced with this new paradigm and these structural transformations (including shifting occupier expectations, new technological requirements, and environmental standards), a growing portion of the office stock is struggling to find tenants, raising the question of potential repurposing more than ever before. As of Q3 2024 in the Paris region, around 1.5 million sqm of vacant offices had remained unleased for four years, representing 30% of vacant space. This trend, which has been going on for several years, will continue to strengthen in 2025.

Figure 10: Vacant space



* Aix-Marseille, Bordeaux, Lille, Lyon, Nantes, Nice-Sophia, Rennes, and Toulouse

Source: CBRE Research, January 2025

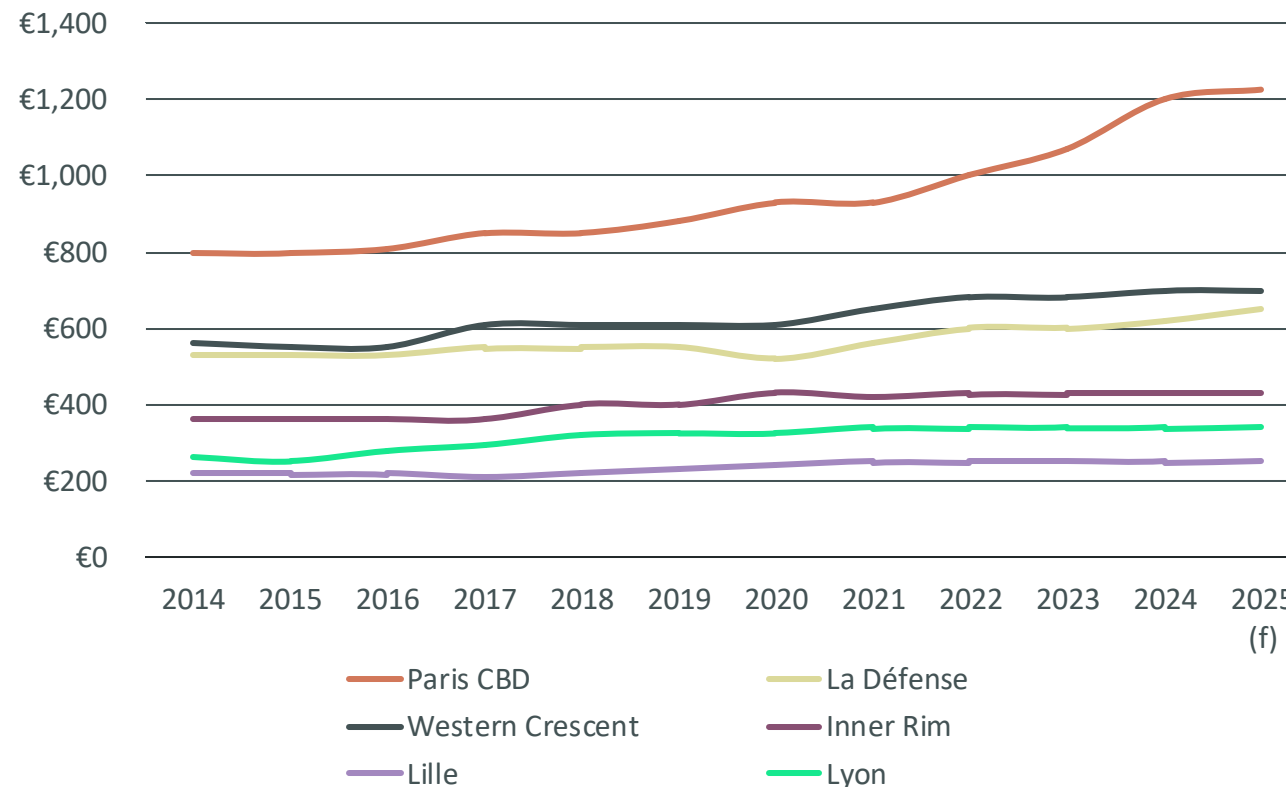
A wide range of rents

Rent trends remain closely linked to the balance between supply and demand in both the Paris region and the rest of France.

In the most central districts, where high-quality supply will remain scarce, prime rents will continue to rise outside the Paris region and in certain tertiary sectors of the Paris region, except for Paris Centre West, where the threshold of €1,200 pa/sqm excl. taxes and charges is not expected to be exceeded. Regarding the evolution of average rents in Paris, the overall context (relaxation of supply constraints, lower take-up, and contained inflation) should push average rents in Paris towards a stabilisation phase.

In the outlying areas, both in the Paris region and elsewhere in France, the trend is more downward, particularly in areas where vacancy is high. With levels of incentives having reached a high plateau at 30% of the headline rent on average in the Paris region, the downward pressure on headline rents that has already been in effect for several years is likely to intensify in 2025, as landlords seek to fill their buildings in areas where supply is abundant.

Figure 11: Prime rent by submarket



* At period-end, in € pa/sq m excl. taxes and charges

Source: CBRE Research, January 2025

05

Logistics

France's political and economic developments do not suggest any short-term improvements. The wait-and-see approach among occupiers will prevail in 2025, and the ongoing increase in available stock will continue inexorably. The question, therefore, is when the turning point in the cycle will occur.



2025: A repeat of 2024?

In 2024, while inflation eased, restoring some purchasing power to consumers, political instability and the overall economic climate weighed on consumption dynamics.

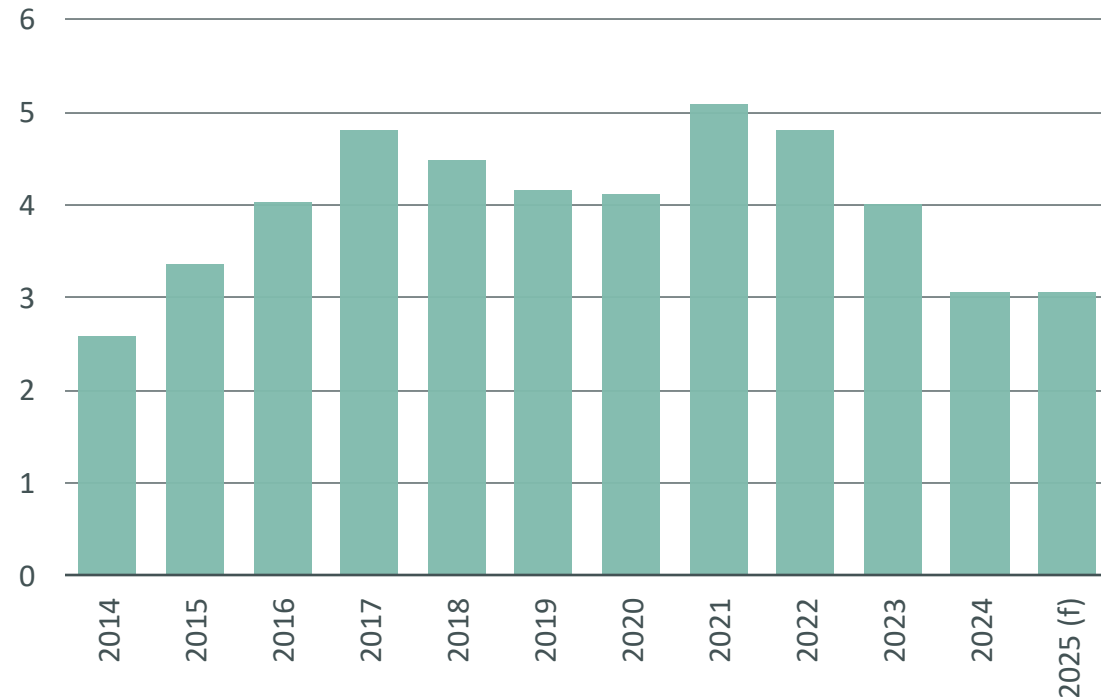
On the corporate side, business failures reached a record high in 2024, and given the current economic conditions, along with the looming State-Guaranteed Loan (PGE) repayment deadlines by 2026, this trend is unlikely to reverse in the short term.

Lastly, industrial revitalisation, a major focus of France’s economic policy in recent years, has also suffered from the current political instability, particularly by slowing foreign investment in France.

Logistics players have not been spared and are also experiencing this downturn. The activity observed in 2024 was primarily driven by optimisation and modernisation strategies, which consume fewer square metres than expansion strategies. The rising vacancy rate and declining take-up reflect this negative net absorption. Over the course of 2024, take-up was 3.1 million sqm, down 24% year on year and even 31% compared with the five-year average. In particular, the Paris region, the flagship market of the central axis, take-up plummeted in 2024 (-48% compared with the five-year average). These trends are not expected to change in 2025, given the context described above.

Take-up in 2025 will once again be driven by the need to modernise logistics infrastructure and restructure certain distribution networks, combined with compliance requirements imposed by the Tertiary Decree.

Figure 12: Take-up



In millions of sq m
Source: CBRE Research, January 2025

A better balance between lessors and lessees

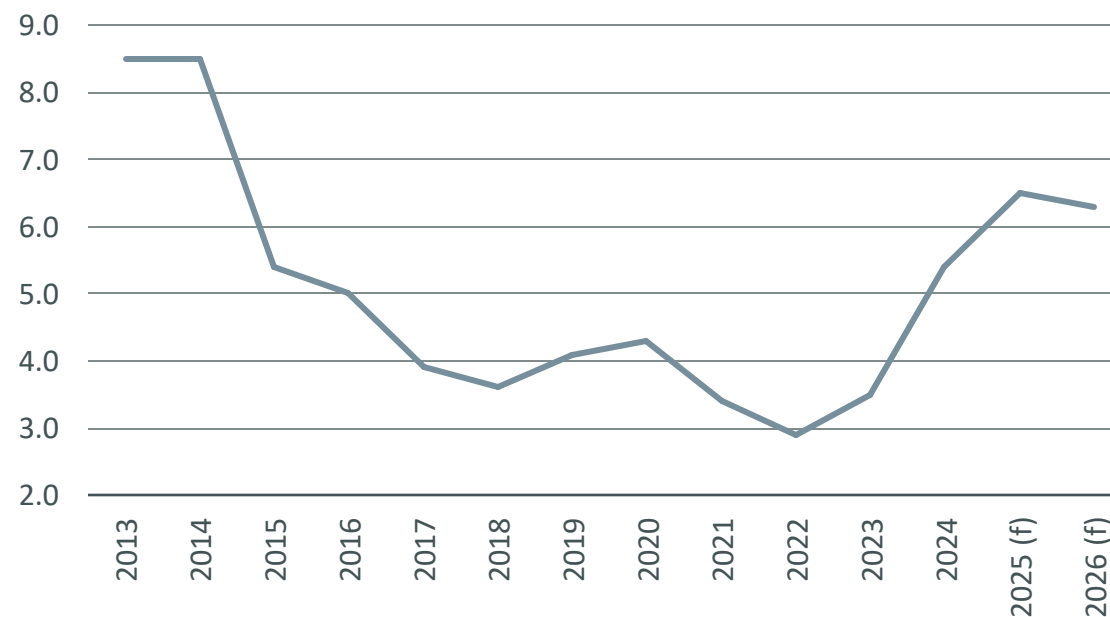
The decline in household consumption and industrial activity, both key indicators influencing logistics demand, offers no sign of short-term improvement. Combined with political instability, a wait-and-see approach will dominate among occupiers in 2025. The question therefore remains whether the turning point will occur in the second half of 2025.

Driven by rising vacancy levels, the 5% vacancy threshold has already been exceeded nationwide and is expected to reach or even surpass 6% in 2025. However, this increase in available supply could breathe new life into structurally undersupplied markets and benefit occupiers who know how to seize opportunities, especially in a market where the balance of power between landlords and tenants is shifting.

Against this backdrop, economic rents are expected to contract. While headline rents should generally remain stable—especially in high-demand areas with very limited development potential—negotiations will increasingly focus on commercial incentives.

The first half of 2025 will continue to be tinged by great caution on the part of logistics occupiers. Nevertheless, the structural fundamentals of the French market remain strong. Logistics needs remain high, with more than half of respondents in the latest CBRE European Logistics Survey expecting an increase in their logistics real estate requirements over the next three years. Groups will revive their real estate projects as soon as economic and political visibility improves. Moreover, the growth potential of e-commerce remains intact, and market players have already resumed their expansion plans.

Figure 13: Vacancy rate



In %

Source: CBRE Research, January 2025

06

Retail

Amid the current climate of uncertainty, household confidence remains weak. As a result, even though French household savings are high and purchasing power is increasing, a strong rebound in consumption in 2025 appears unlikely.

Nevertheless, retailers remain committed to their expansion plans. Demand will continue to be concentrated on prime retail streets, though it may be constrained by the limited availability of space in these locations.

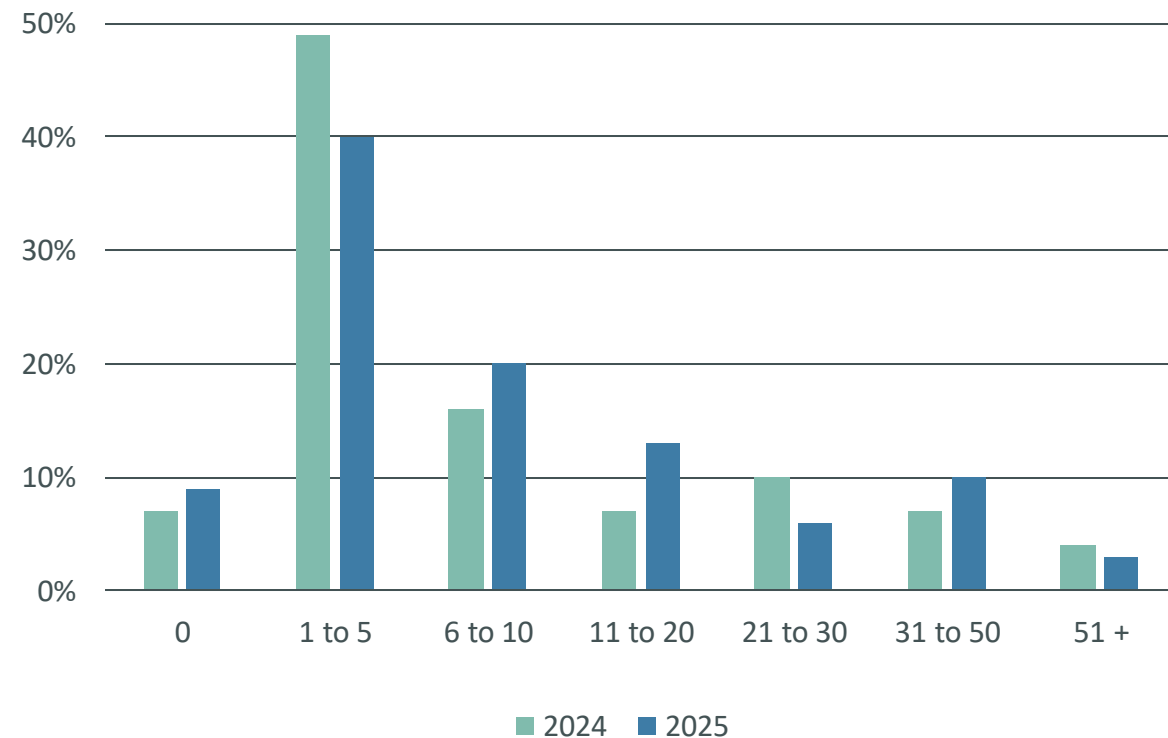


Steady demand despite weak consumption

The decline in inflation is restoring some purchasing power to households, which have also built up significant savings since the COVID-19 pandemic. Nevertheless, consumer confidence remains below its long-term average and is trending negatively. In this context and given political uncertainties, household consumption is unlikely to experience a strong rebound in 2025, though it is not expected to collapse either. A more significant recovery in consumption is anticipated from 2026, provided that some uncertainties are resolved.

Despite this gloomy environment, retailer demand is holding up well. According to Procos figures, the majority (65%) of retailers opened 1 to 10 shops in 2024. Most of these openings were in outlying areas rather than on the high street. While business failures impacted the sector in 2024, 91% of retailers reported having closed fewer than 10 stores throughout the year. Projections for 2025 follow the same trend as 2024, indicating a continuation of expansion plans. This outlook is reinforced by the latest CBRE European Retail Occupier Survey 2024, in which 72% of surveyed retailers confirmed having development plans. At the same time, investment in renovating existing store networks will also be a key focus.

Figure 14: Shop openings in 2024 and projections for 2025



Source: Procos study "Ouvertures de points de vente", December 2024

06 Retail

Customer experience as a guiding principle

While retailers will continue their expansion plans in 2025, caution will prevail, with location remaining the primary factor driving demand.

The modernisation of retailers and retail networks will remain a key focus. Retail strategies will continue to be shaped by a deep reassessment of business models, product offerings, and market positioning.

New flagship stores, concept stores, and renovations of existing stores will take centre stage, as brands focus on creating a strong customer experience to fully express their identity.

Retailers are willing to invest to consolidate their market share, which in turn heightens their requirements regarding location, store size, and layout, which are essential conditions to fully showcase their retail concepts. As a result, greater selectivity and pressure on prime supply will remain key challenges for the market.



06
Retail

The challenge of supply availability

The vacancy rate on prime thoroughfares is expected to continue declining, as retailer turnover remains very low. Retailers already in place are reinforcing their positions at the best locations, meaning that supply constraints will remain a key issue.

Demand could be opportunistic, responding to available space resulting from potential store closures, bankruptcies, or limited retailer turnover.

Conversely, the concentration of demand in top locations will continue to increase vacancy levels on secondary retail streets.

STABLE RENTS

In 2025, rents are expected to remain stable, except for certain prime retail segments, which could see a slight increase. Meanwhile, areas already affected by high vacancy rates could see their rents level off, as the lack of anchor tenants limits foot traffic and market dynamics. Notably, the return of leasehold right sales, already observed in 2024, is expected to solidify for the best locations.



07

Residential

Investment volumes held up well in 2024 and are set to rise in 2025, driven by investors' continued appetite and the expected market release of a number of large-scale portfolios.



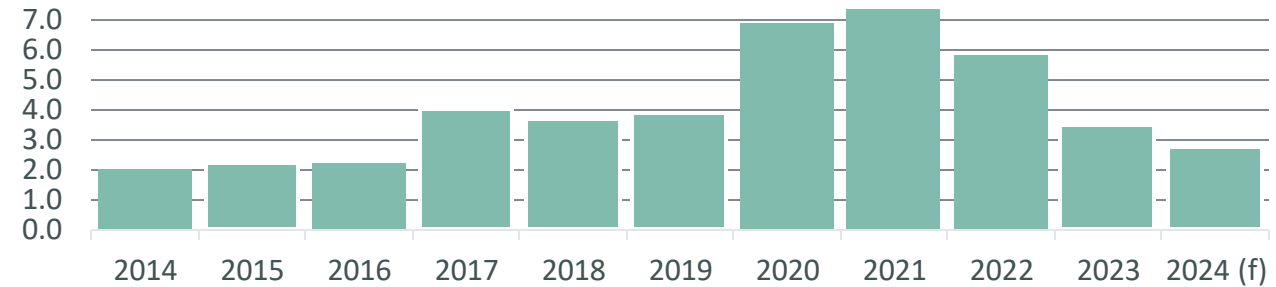
2025: return of large portfolios and operated housing

Investment in residential assets in 2024 was solid but not exceptional, with an anticipated total investment volume of less than €3 billion. Multifamily was the most dynamic segment of the market, while operated housing exhibited diverging trends. Senior housing continues to suffer from investor hesitation, whereas student housing remains highly sought after, even though this has not yet translated into significant investment volumes.

This positive momentum for student housing assets is expected to strengthen and accelerate in 2025, with the sale of Gecina’s student housing portfolio to Nuveen Real Estate and GSA for €539 million (excluding duties), expected to close in the first half of 2025. This transaction is likely to be followed by additional deals in student and senior housing assets throughout 2025, providing a test of market depth for these asset types, particularly among international investors.

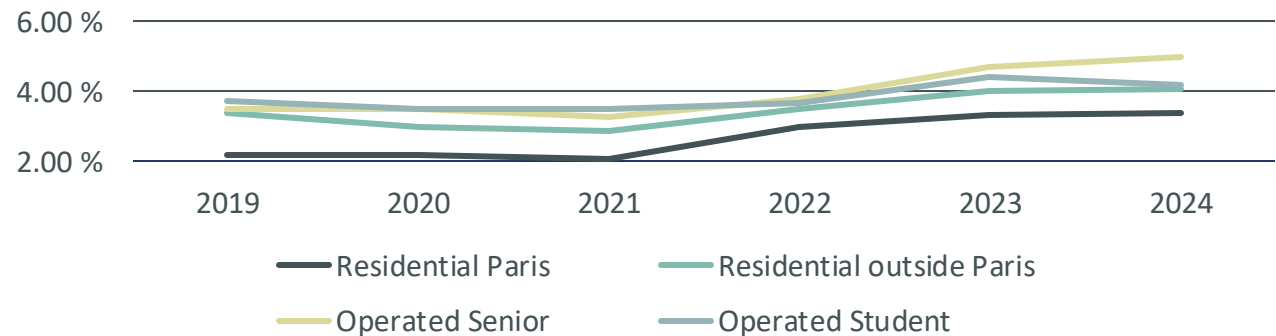
Multifamily should also see strong activity in 2025, with the return of large-scale portfolios, a key component that has been missing from the market over the past three years.

Figure 15: Residential investment in France



In € Bn
Source: CBRE Research, Q4 2024 (provisional data)

Figure 16: Prime yield by asset type



Source: CBRE Research, Q4 2024

2025: the recovery for individuals will only materialise very gradually

After two very difficult years for housing market players, 2025 will benefit from improved borrowing conditions (with the average mortgage rate at 3.37% in November 2024, down ~80 basis points since December 2023) and falling prices (a 5% decline on average for existing homes since late 2022)—two factors that should support a recovery in demand from individual buyers.

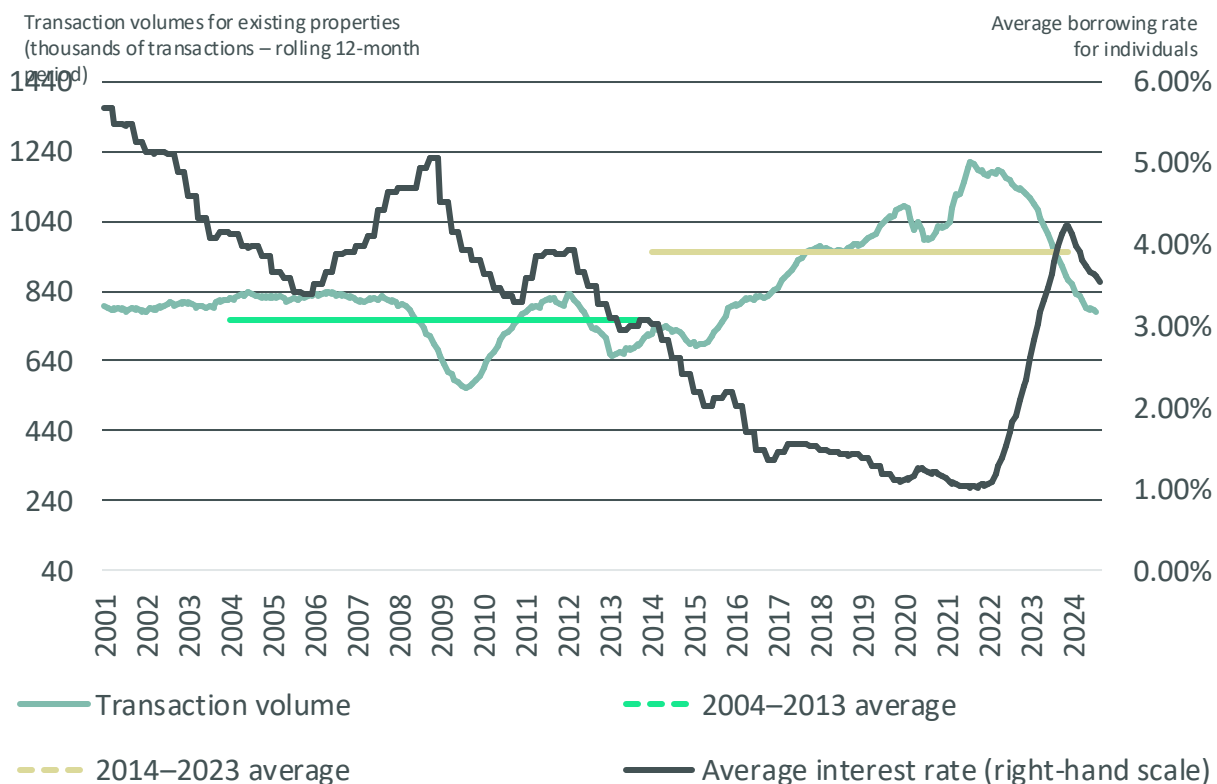
However, despite the French household savings rate reaching a record high (17.9% versus 15.2% pre-COVID), current economic and political uncertainties are unlikely to strongly encourage households to invest, particularly in home purchases.

While the turning point is near, the recovery is expected to be very gradual.

Conversely, the rental market is seeing a surge in demand, driven by households struggling to access homeownership, which in turn is pushing rents higher. In major urban areas in particular, rents have been rising continuously since early 2022.

Of the 10 largest metropolitan areas, 9 saw their rents rise above their five-year average in Q3 2024, with increases ranging from 2.7% to 5.6%. In addition, the sharp slowdown in new housing starts, observed for more than two years now, is unlikely to reverse this trend in the short term.

Figure 17: Transaction volumes for existing properties and average borrowing rate for individuals

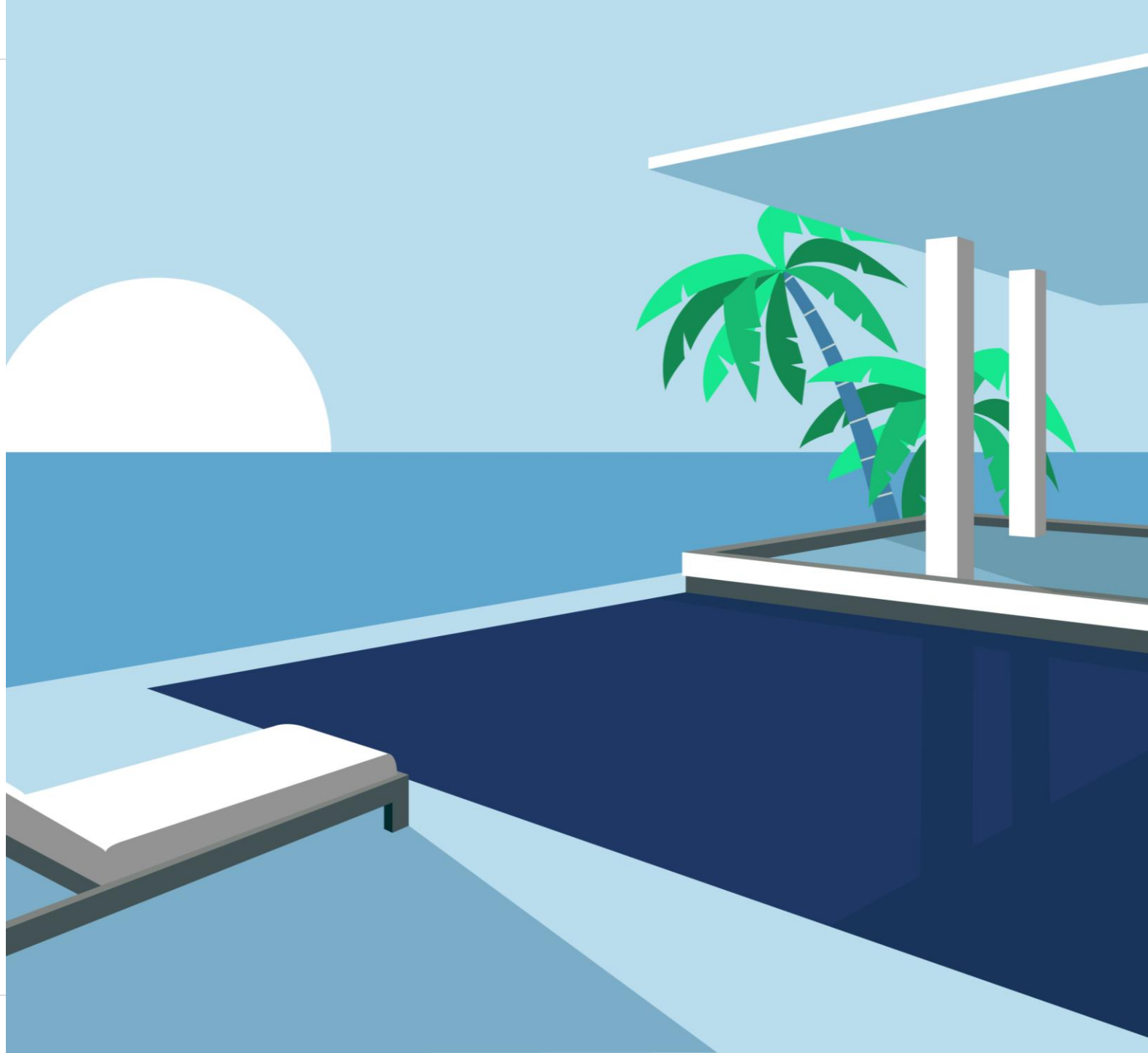


Sources: IGEDD, Observatoire Crédit Logement, CBRE Research, October 2024

08

Hotels

2024 was a strong year, following an already very good 2023. Expectations surrounding the Olympics were high but were slightly underwhelming at times. For 2025, investment volumes are expected to remain strong, driven by notable transactions in Paris and platform deals.



2024: a misleading picture, 2025: sustained volumes

For hotel real estate investment, 2024 will turn out to have been a good year, though somewhat inflated.

A good year, indeed, with €2.7 billion invested, slightly better than the previous year and €1 billion above the 10-year average.

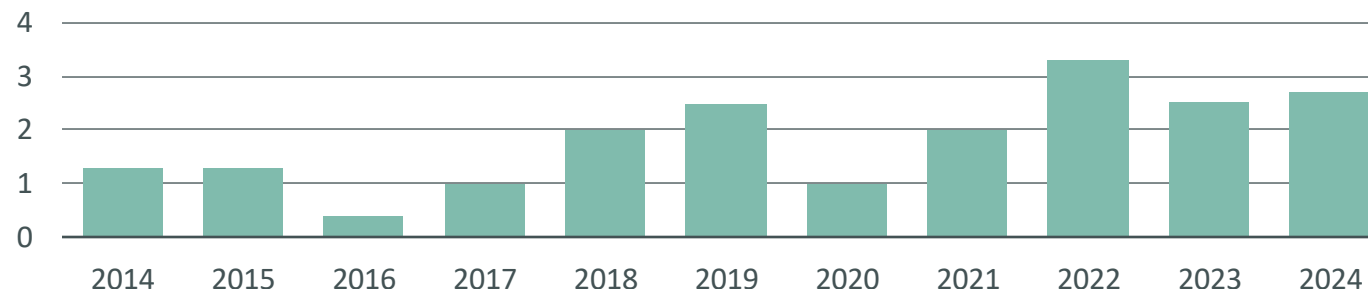
This year has been inflated as well, since these strong figures were largely boosted by the sale of five Paris hotels (Hilton Paris Opéra, Mandarin Oriental, St James Albany, Pullman Tour Eiffel, and Dame des Arts) for a total of €1 billion.

In 2025, interest in the hotel industry is expected to remain strong, though we do not anticipate a significant shift of traditional office investors towards this industry.

Hotel real estate investment should see continued activity in 2025, once again driven by major transactions in Paris as well as platform deals.

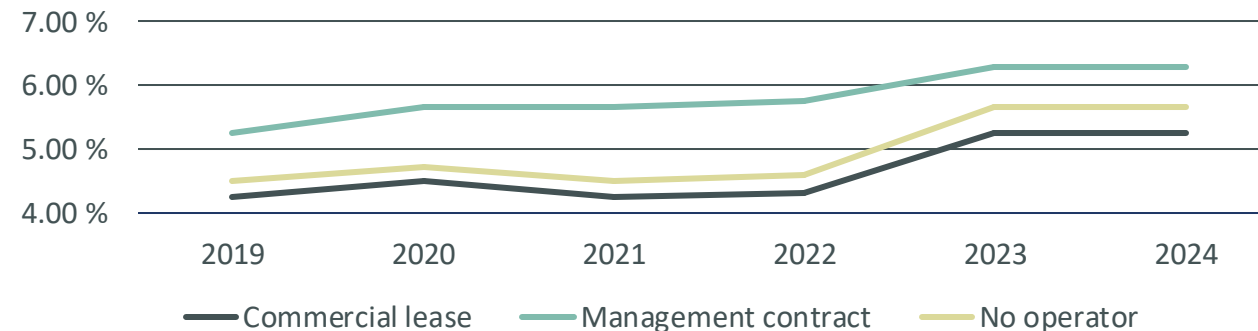
The market is expected to hold up well in 2025, though the future of Article 150-0 B ter under the Finance Bill (PLF) will impact the market, particularly for private investors and family offices.

Figure 18: Hotel real estate investment in France (€bn)



In € billions
Source: CBRE Research, January 2025

Figure 19: Prime yield by occupancy type



Source: CBRE Research, January 2025

A highly concentrated Olympics effect, with 2025 in line with 2024

While the Paris Olympics in 2024 were expected to make it a record year for the hotel industry, this ultimately was not entirely the case.

The hotel sector was already coming off an exceptional 2023, driven by the return of major international events and the resurgence of international tourists, particularly Americans, who benefited from an extremely favourable euro-dollar exchange rate.

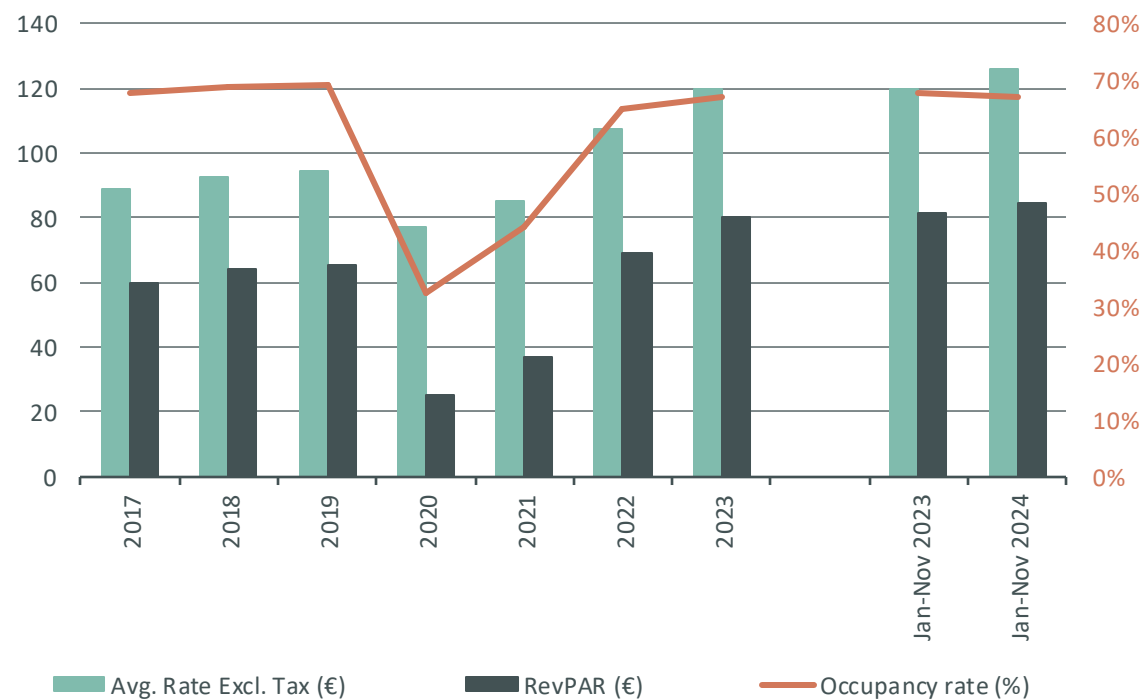
The first half of 2024 was disappointing, marked by poor weather, weakened purchasing power, and Olympic preparations that discouraged tourists from visiting Paris. As a result, by the end of June, RevPAR had declined by 2.3% overall, including a 7.5% drop in Paris. While the Olympics had an undeniable impact over the summer (+9.2% in July and +27.1% in August, driven exclusively by higher average prices), not all hoteliers managed the event effectively. Some experienced a drop in occupancy rates due to overly aggressive pricing strategies.

By the end of November, RevPAR had grown by 1.2% over 11 months, making 2024 a strong year despite everything. Occupancy rates saw a slight decline, while average prices increased.

For 2025, the hotel sector's fundamentals remain extremely favourable, supported by limited and relatively stable supply and strong demand potential, particularly from international markets, including the growing middle classes in major emerging countries such as Brazil, China, and India.

However, caution is warranted regarding the sector's high sensitivity to geopolitical events, which, alas, are not likely to be in short supply in 2025.

Figure 20: France performance (average price, occupancy rate, RevPar)



Source: MKG, December 2024

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