



AltusGroup

Q1 2025

# Pan-European Valuation Dataset: Expert Analysis

By: Phil Tily  
Senior Vice President, Head of Performance Analytics  
Altus Group



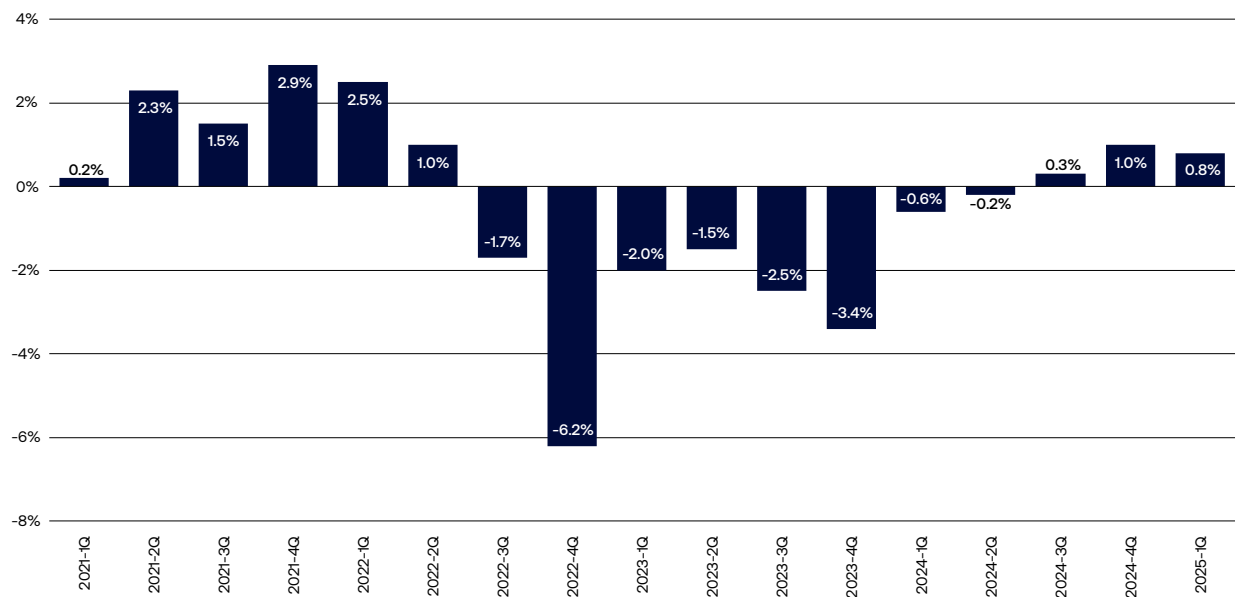
# Q1 2025

## Pan-European Valuation Dataset: Expert Analysis

European property values continued to make slow but positive gains in the opening three months of the year, up 0.8%. Values have now risen in each of the last three quarters, following a two-year series of consecutive write-downs.

Values have now risen by 2% on an annual basis, but are still down 15% when you track the results on a three-year basis just prior to the onset of the period of decline.

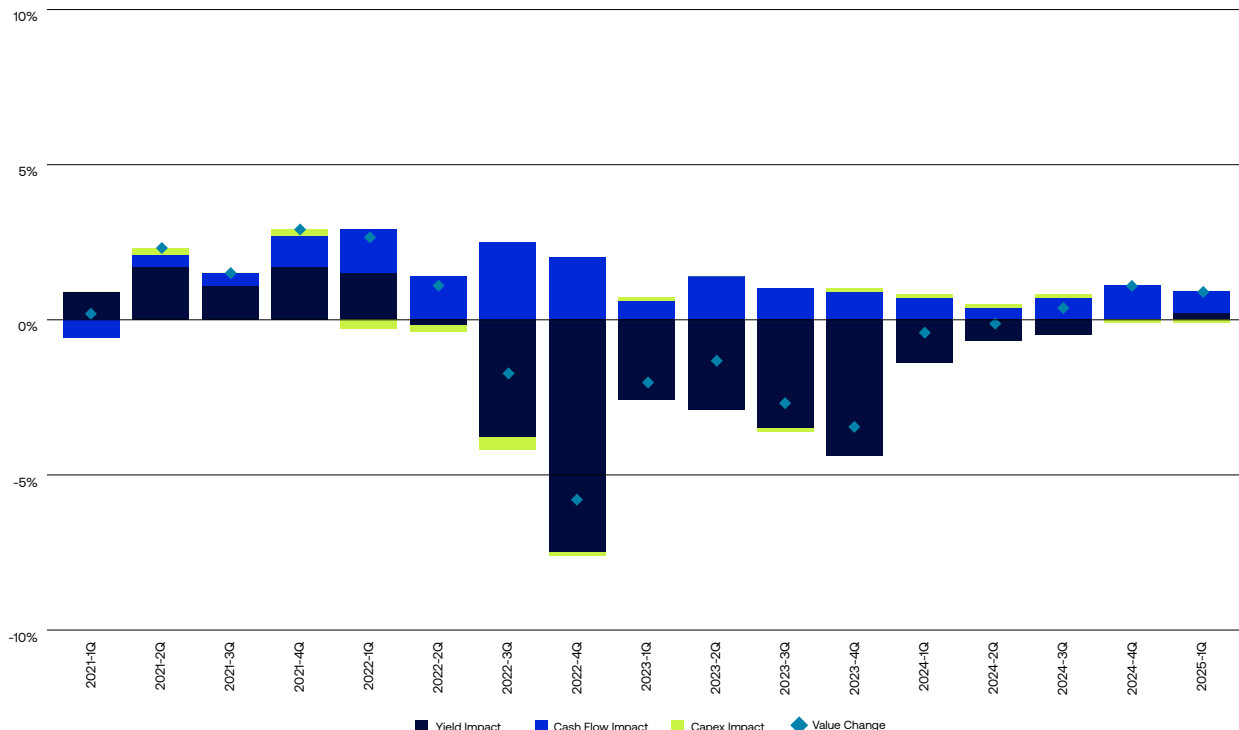
### Quarterly appreciation - all property



Source: Altus Group's Pan European Valuation Dataset

As central banks lower interest rates, yields that had experienced a two-and-a-half-year period of correction seem to have reached an inflection point, with a slight increase of 0.2% in values over the last quarter. This positive pricing adjustment, along with a modest cash flow effect of 0.7%, has contributed to a rise in European commercial real estate values for the third consecutive quarter.

## Quarterly appreciation attributes – all property



Source: Altus Group's Pan European Valuation Dataset

## Sector trends

Values increased for the third consecutive quarter across all market sectors, although with mixed yield and cash flow results. Across the four main sectors, residential assets emerged as the lead performers in Q1, with values rising by 1.5%. However, the “other” property grouping outpaced it due to the strong performance of student accommodation assets within that subgroup.

Both industrial and office sectors recorded gains of 0.8%, while retail ended up at the lower end of the spectrum with an increase of 0.5%. Over the course of the year, residential assets also led the standings among the main sectors, narrowly surpassing industrial assets in terms of cash flow gains.

Over the past three years, retail assets have experienced a smaller decline in value compared to other sectors, as yields have already adjusted upwards primarily due to competition from e-commerce. In contrast, the office sector has faced the most significant challenges, with some of the largest increases in yields during the same period.

## Breakdown of value movements

### Q1 2025 | | Breakdown of Q1 value movements

	Value change	Yield impact	Cash flow impact	Capital expenditure
All	0.8%	-0.2%	0.7%	-0.1%
Industrial	0.8%	0.0%	0.8%	-0.0%
Office	0.8%	0.3%	0.5%	-0.0%
Residential	1.5%	0.1%	2.0%	-0.6%
Retail	0.5%	-0.0%	0.0%	0.1%
Other	1.3%	1.2%	0.1%	0.0%

Source: Altus Group's Pan European Valuation Dataset

### Q1 2025 versus Q1 2024 | | Breakdown of 1 year value movements

	Value change	Yield impact	Cash flow impact	Capital expenditure
All	2.0%	-0.9%	2.9%	0.1%
Industrial	2.9%	-0.8%	3.8%	-0.1%
Office	0.8%	-1.4%	2.4%	-0.1%
Residential	3.3%	-0.9%	4.4%	-0.2%
Retail	1.6%	-1.0%	1.5%	1.0%
Other	4.4%	2.2%	2.4%	-0.2%

Source: Altus Group's Pan European Valuation Dataset

### Q1 2025 versus Q1 2022 | | Breakdown of 3 year value movements

	Value change	Yield impact	Cash flow impact	Capital expenditure
All	-4.9%	-9.0%	4.2%	-0.2%
Industrial	-3.8%	-10.3%	6.5%	0.0%
Office	-7.6%	-10.3%	3.4%	-0.6%
Residential	-3.2%	-8.0%	4.4%	0.4%
Retail	-2.8%	-5.3%	2.2%	0.3%
Other	1.3%	4.1%	5.6%	-0.1%

Source: Altus Group's Pan European Valuation Dataset

## Residential

Residential values rose by an above-average 1.5% over the quarter. Yields tightened during this period, contributing a modest positive impact of 0.1% on values. However, it was the larger cash flow effect of 2.0% that set this sector apart, as market rents had risen by an above-average 2.1%. The Netherlands stood out in Q1, with values climbing 5.1%, supported by a 7.6% increase in market rents.

Results in the Netherlands have been equally impressive on a one-year basis, with values improving by 7.6%. This appreciation, which is largely cash flow-based, is benefiting from a recent stamp duty change that has added further upside in the last year.

## Industrial

Industrial dropped below residential in the rankings as gains slowed to 0.8% in Q1. Yields held steady over the quarter, but a further strengthening of cash flows, driven by a 1.1% increase in market rents and a 2.9% rise in contract rents, assured industrial values rose for a fourth consecutive quarter.

Value gains were reported in all industrial markets in Q1, with Italy and Spain leading the rankings with values up 1.1% and 1.3%, respectively. In contrast, Germany experienced a more modest increase of 0.2%, tempered by further yield increases during the quarter.

Overall, industrial values have risen by 2.9% over the year, with several markets – including the UK, Sweden, Netherlands, Italy, and Germany – all exceeding a 3% growth threshold.

## Office

Offices remained competitive during the first three months of the year, with values aligning with the overall average, increasing by 0.8%. While not across all markets, yields on average began to tighten, and this, along with a further strengthening of cash flows, had a positive impact on office values for the quarter.

Across the markets, France continued to deliver some of the strongest results, with values rising by 3% over the quarter and leading the field in market rent gains of 2.4%. In contrast, Germany experienced a more subdued quarter, with values up just 0.3%, tempered by a very slight -0.2% drop in market rents.

For the year, France also leads the standings with gains of 8%, although, based on current valuation models, half of the uplift appears to be related to capital expenditure. By comparison, values in Germany are down 1.5%, and the UK office market, where yields have increased more significantly over the year, has seen values decrease by 4.4%.



Retail

Retail remained at the lower end of the hierarchy in Q1, although values improved by 0.5%. There was a slight shift in rankings compared to previous quarters, with high street shops alongside supermarkets seeing larger gains of 0.8% and 0.9% respectively. These gains are both yield and cash flow related. Shopping centres, where yields continued to rise, had a more muted quarter with values up just 0.3%.

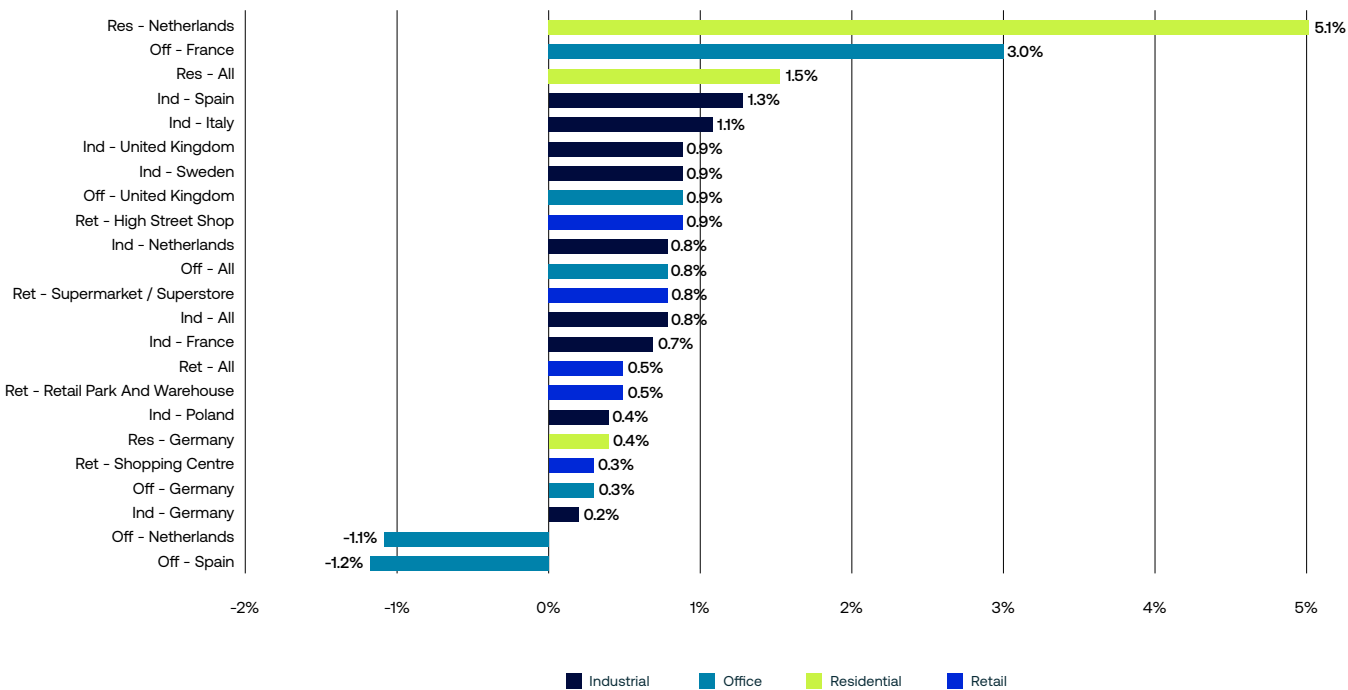
Retail warehouses have been the outright pace setters in the retail sector over the last year. Their success is built on stable yields and strong cash flow fundamentals, and market rents have risen by an above-average 4.1%.

Other

Outside the main sectors within the “other” grouping, student accommodation assets led performance this quarter, with values rising by 3.0%. These above-average gains were both yield and cash-flow-related.

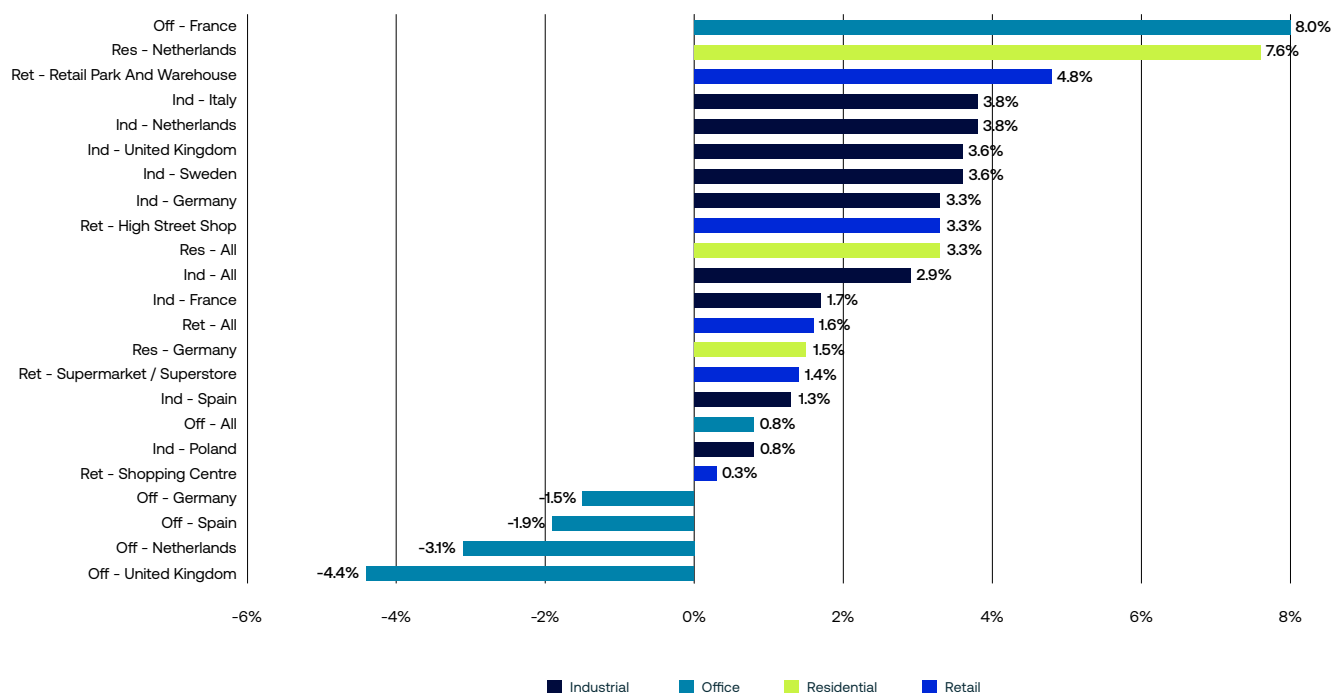
Sector and country appreciation spreads

Q1 2025 | Quarterly sector country appreciation spreads



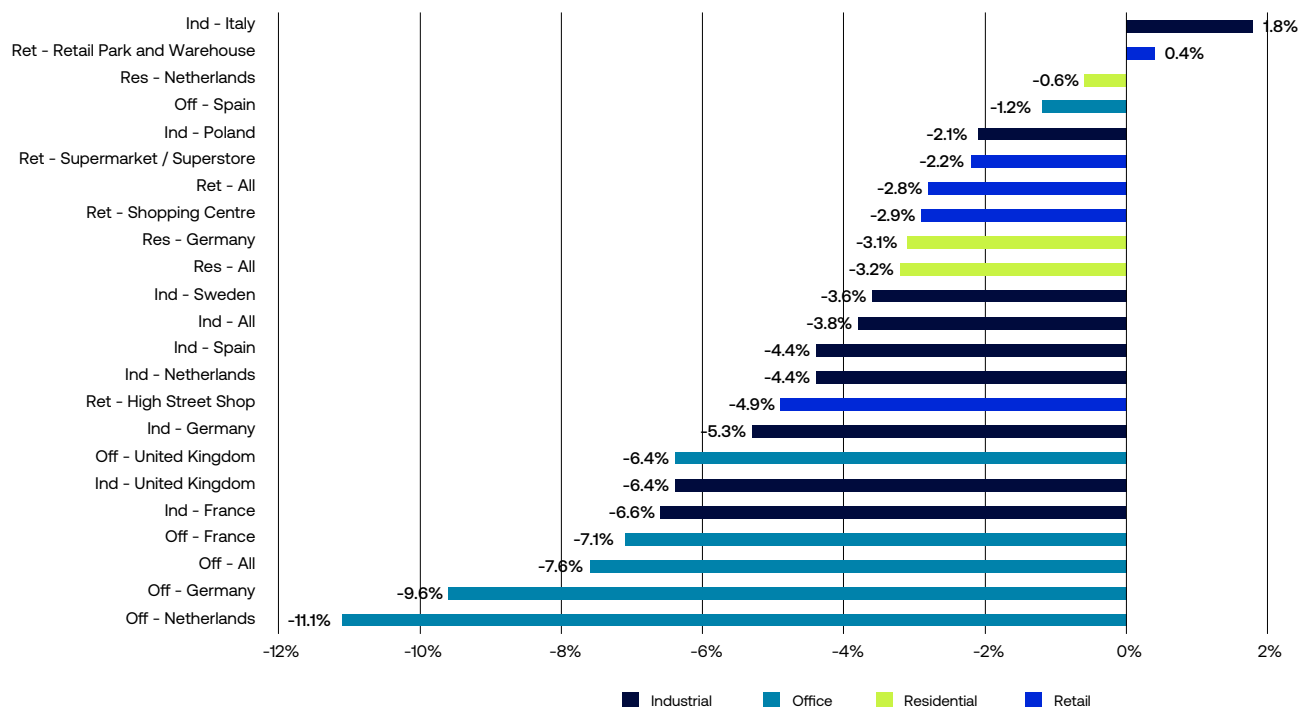
Source: Altus Group’s Pan European Valuation Dataset

## Q1 2025 versus Q1 2024 | Annual sector country appreciation spreads



Source: Altus Group's Pan European Valuation Dataset

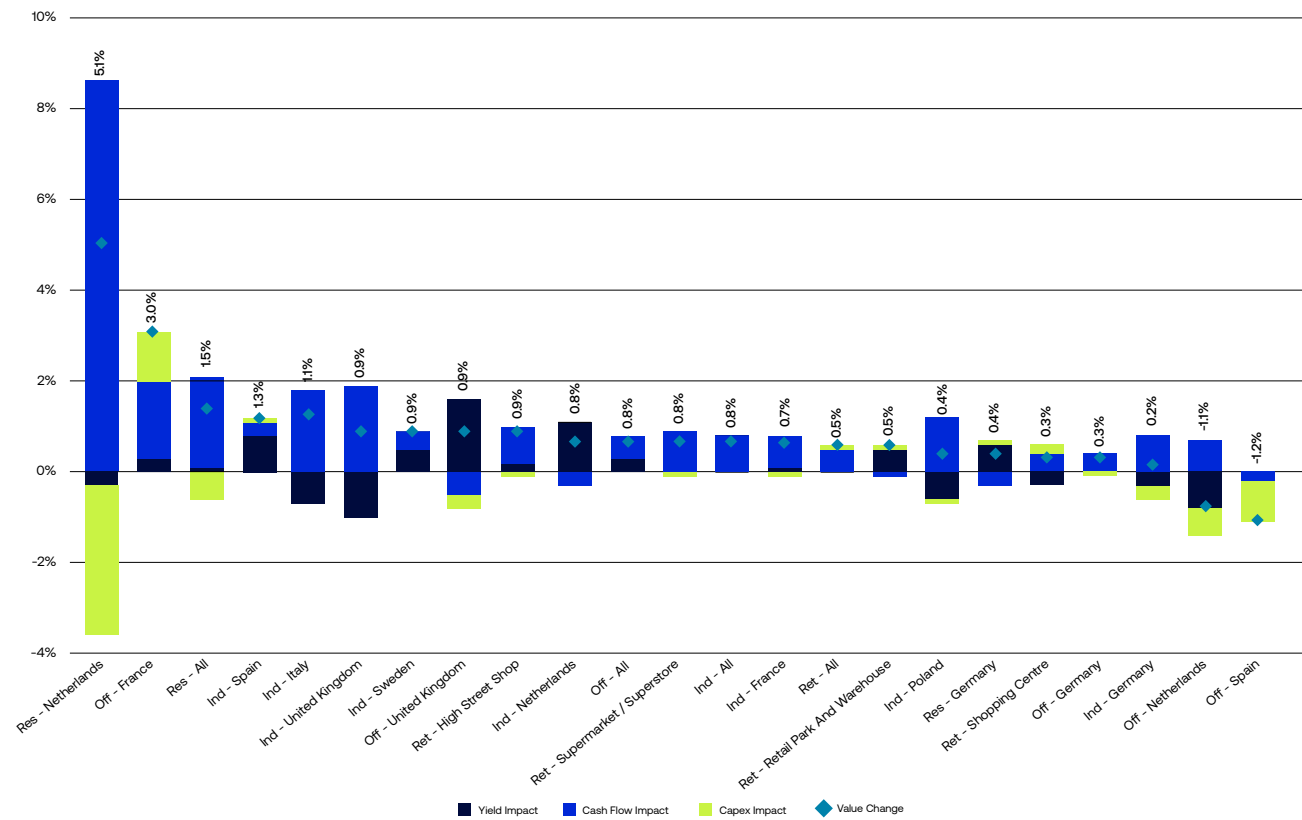
## Q1 2025 versus Q1 2022 | 3 year sector country appreciation spreads



Source: Altus Group's Pan European Valuation Dataset

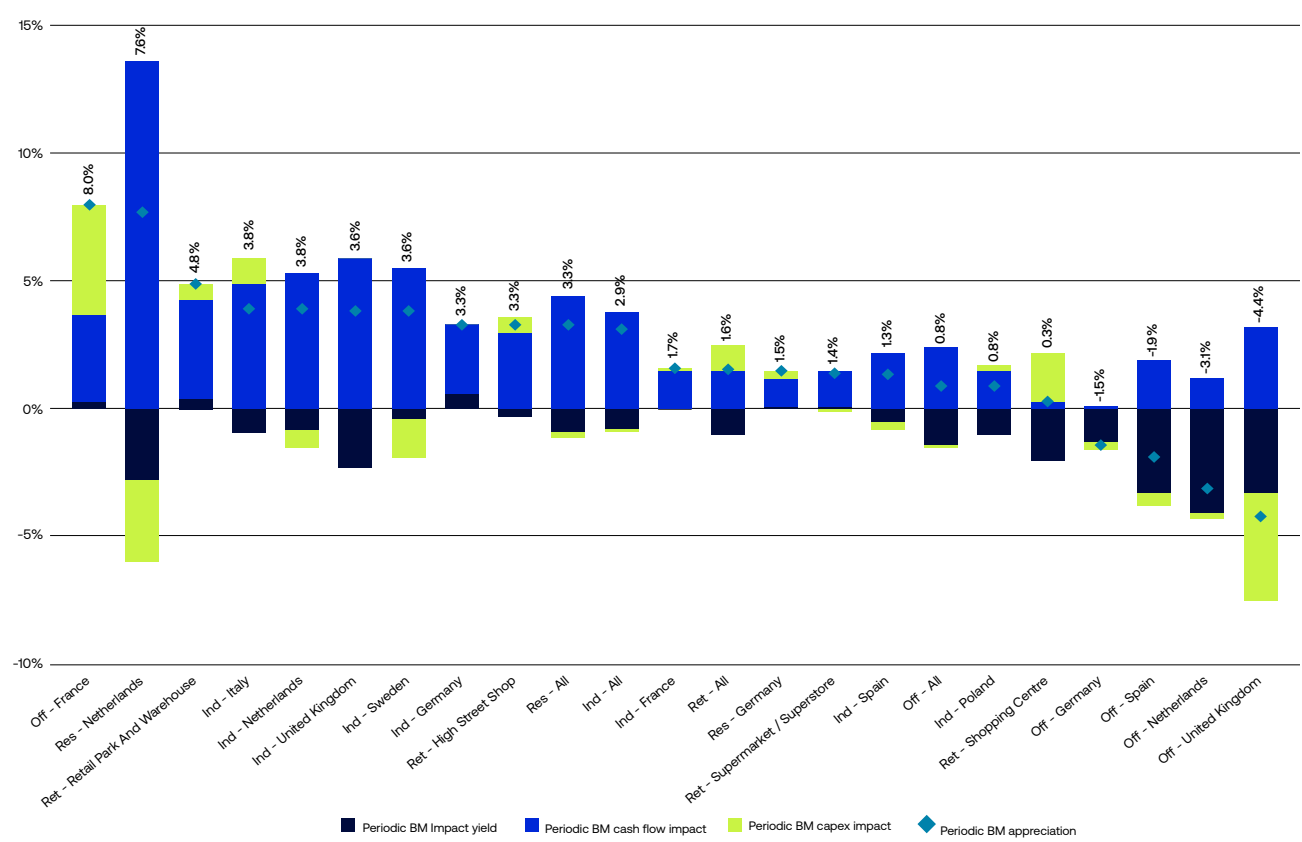
Impact metrics – by sector and country

Q1 2025 | Impact metrics - by sector and country



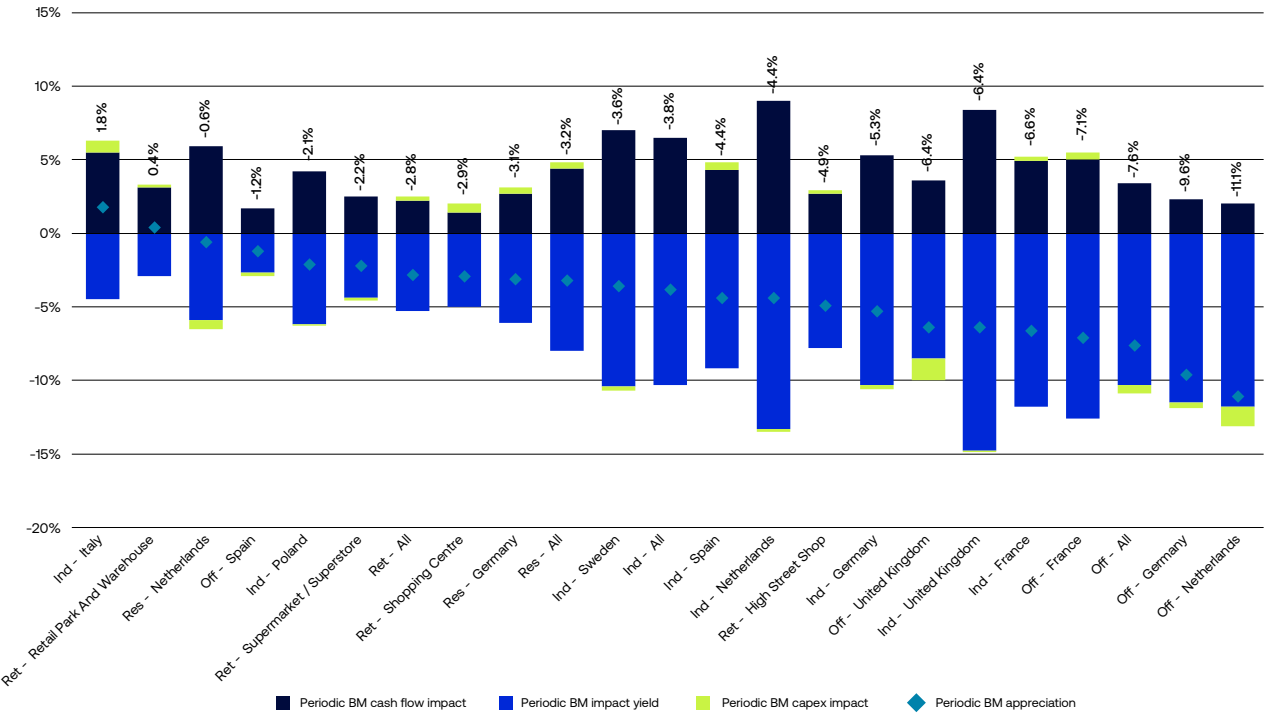
Source: Altus Group's Pan European Valuation Dataset

Q1 2024 versus Q1 2025 | Annual impact metrics - by sector and country



Source: Altus Group's Pan European Valuation Dataset

Q1 2022 versus Q1 2025 | 3 year impact metrics - by sector and country



Source: Altus Group's Pan European Valuation Dataset



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