Real Estate Research

June 2025

Europe Real Estate Strategic Outlook

Mid-Year 2025

IN A NUTSHELL

- European real estate is now firmly in recovery and stands to benefit from evolving capital flows, supportive fiscal policy and persistent supply constraints, as performance data from 2025 Q1 and the REIT market confirm.
- Improving liquidity on the investment side is seen as supportive for returns, but occupier market fundamentals – especially subdued supply – remain the dominant force behind Europe's positive performance outlook.
- Germany and the wider European living sectors remain our top calls on a regional and sector level, with conviction strengthening further. Select logistics markets have been downgraded due to trade exposure, though this view is far from universal.

1 / Market Outlook

'When the facts change, I change my mind – what do you do, sir?'

Often attributed to the economist John Maynard Keynes, this quote could neatly sum up the past six months. As we sit here today, the world is different, and the facts have indeed changed. A global order in flux, alliances strained, norms tested; how could our outlook not change? It has. However, this has not necessitated a change in our overall conviction.

At the end of last year, we professed a strongly held belief that 2025 would mark the continuation and acceleration of Europe's nascent real estate recovery. Liquidity was returning, prime rents were reaching record highs, and most importantly we had seen the return of capital value growth. We had declared that we could now be living in an exceptional period for investment in European real estate.

And while it's been a wild ride, we remain firm in our convictions that European real estate investment looks attractive. And when viewed on a relative basis, the outlook may even have improved.

We're not naïve to the challenges. Geopolitics, trade and financial markets all cause anxiety, and could, if left unchecked, negatively impact both economic growth and overall investor sentiment. However, European real estate appears to be well positioned, not just to weather the storm, but to gain from shifts in capital allocations, fiscal stimulus and sustained shortages of high-quality space.

Economic outlook revised upwards in response to German fiscal stimulus

It may seem improbable but our outlook for large parts of the European economy have been revised upwards over the past six months. The key driver for this is fiscal spending – particularly in Germany. Six months ago, German fiscal stimulus remained a distant prospect and was only fully confirmed in mid-April with the eventual appointment of Friedrich Merz as Chancellor of Germany. But today, with the prospect of €1 trillion of additional government spending, the outlook has indeed changed, for the better – more than compensating for any assumed drag from the current US tariff regime.

And it's not just Germany. Large parts of Europe look well positioned to increase fiscal spending, with military spending especially in focus. Several European countries benefit from low levels of public debt,[1] including Denmark (32%), Sweden (32%), the Netherlands (43%) and Germany (62%) – compared to 125% in the United States.[2] European countries also benefit from a lower fiscal balance (-2.8% for the Eurozone vs. -6.9% in the U.S.).[3]

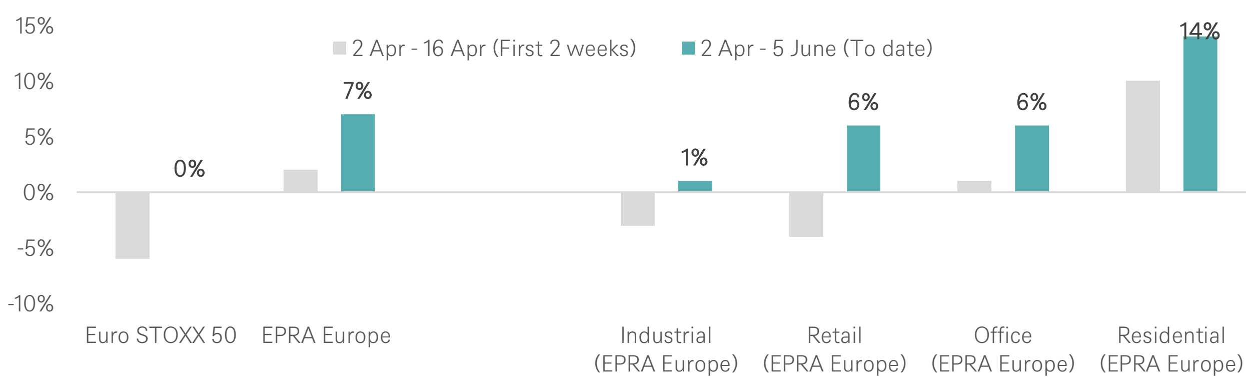
From weakness to strength

As well as an upwards revision to the economic outlook, the initial financial market response to the German fiscal stimulus was a sharp increase in borrowing costs. Through mid-March the German ten-year Bund rose by almost 50 basis points, raising concerns about the bond-like residential sector.

However, with the events of 2 April or "Liberation Day" in the U.S., weakness has turned to strength. Not only did the Bund yield retreat and European borrowing costs fall, but the European economy was also now being viewed as increasingly resilient, facing a relatively minor impact from tariffs, substantially less than other parts of the world, particularly the U.S. and China.

The real estate sector was viewed as an area of strength, reflected in the performance of the REIT market. Despite an early decline of more than 10% in the Euro Stoxx 50, the index had fully regained its footing by early June. This positive outlook for the European REIT markets contrasts starkly with trends observed in the United States, where real yields on long-dated government bonds have risen, pulling the U.S. REIT market downwards. In contrast, European REITs are outperforming their U.S. counterparts, underscoring the relative strength of the European real estate sector.

Total Shareholder Returns Since "Liberation Day"



Note: EURO STOXX 50 Index and FTSE EPRA/NAREIT Developed Europe Index; Credit Spread = Euro 10-Yr BBB Bond vs. German Bund
Source: Macrobond, 06 June 2025

[1] Gross government debt (as a % of GDP) Maastricht definition, Oxford Economics, March 2025
[2] DWS Macro and Market View, February 2025
[3] 2024 actual. DWS Strategic CIO View, March 2025

Supply shortages

In our opinion, exceptional occupier fundamentals also continue to attract capital into the European real estate market. Widespread supply shortages across large parts of the market provide the groundwork for incredibly secure cashflows.

We are witnessing a pivotal shift in the supply landscape, largely driven by declining development profit margins. Exit values have fallen by roughly 20% while simultaneously, construction costs have surged by more than 20% since 2021, creating an increasingly challenging environment for new developments. Looking ahead, we anticipate a 25-30% decrease in new supply over the next five years compared to the previous half-decade. This shift is expected to have notable implications for already very tight markets, particularly in terms of vacancy rates.

Europe enjoys a notable advantage in its real estate market due to historically low supply levels, coupled with structurally lower vacancy rates, which stand at ~5.5% compared to the ~11.5% observed in the U.S. This can be attributed to several factors, including land scarcity and the implementation of stricter planning regimes, which regulate development more tightly. Additionally, a higher proportion of urban residents living in city centres and the prevalence of denser urban planning contribute to this disparity, creating a market environment that fosters stability and higher demand for housing in European cities.

Liquidity and yield compression

Add to this the fact that we are starting to see rising liquidity, and the prospects for the European real estate market look even more favourable.

While retaliatory tariffs by the EU could put upward pressure on prices, as of today, lower global growth, falling oil prices, a weaker dollar, and overcapacity in China all point towards reduced inflation, opening the possibility that European central banks could further cut interest rates, supporting real estate pricing.

With the recent price correction broadly led by changes in capital market conditions, improvements in liquidity, supported by interest rate cuts and lower financing margins, have been a key factor pushing the sector into recovery. And while transaction volumes remain well behind previous peak levels, they are trending upwards, and we have already started to see a broadening of yield compression across European markets.

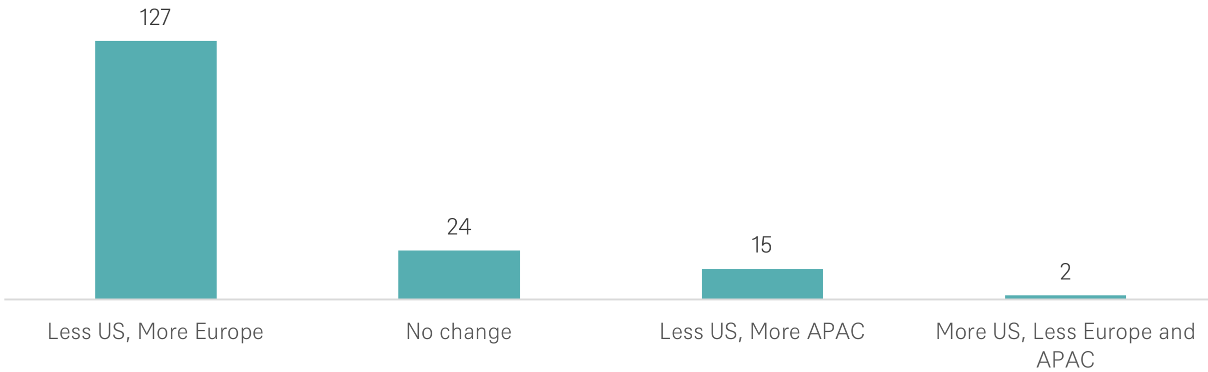
Looking forwards, we’re cautious about relying on yield compression as a key driver of performance. The vagaries of global borrowing costs, particularly when viewed over the long hold periods typically associated with real estate, emphasise the risks associated with this element of any deal underwriting.

Nonetheless, there is room to believe that yields could continue to compress going forward. Not only have Europe’s central banks cut interest rates further, but the recent uptick in liquidity is only in the early stages, potentially supporting price growth for several years to come – particularly in those smaller or more peripheral markets which have not yet benefitted from this change.

Led by recent events in the United States, we’re also seeing increasing evidence of global investors considering an increase in allocation to the European market. While mostly anecdotal at this stage, centred around surveys and client conversations, should this occur, the corresponding increase in capital, could further enhance market liquidity.

Poll of IPE Conference Attendees on 22 May 2025

No. of respondents to question – "How has your view of preferred geographic allocations changed since 31 December 2024?"



Source: IPE (Investments and Pensions Europe) is a premier event in the institutional real estate investment sector, attracting senior global real estate investors. Conference for global investors, May 2025. (IPE Real Estate Global Conference & Awards 2025)

Performance

The performance of the European real estate market has continued to improve throughout the early part of 2025. Having seen the return of capital value growth during the final part of 2024, quarterly total returns for the INREV ODCE index reached 1.5% during the first three months of this year, the highest reading in nearly three years.[4]

And while we may have downgraded the overall outlook for performance in 2025, reflecting a slight moderation in rental growth and a little less yield compression, we don't expect a reversal or even a significant pause in capital value growth. Also, when we consider our outlook over the full five years, we see no significant change to overall forecast performance. Once again, our forecasts reflect the view that this remains an exceptional period to deploy capital into the European real estate market. And in this period of volatility and uncertainty, the stability and predictability of income generated from high-quality, secure assets makes European real estate particularly attractive – especially with values at cyclical lows.

It would be wrong to conclude that the European real estate market as a whole will benefit from trade frictions or financial market volatility. But it does remind us of European real estate's attractive features, and why the sector could be a relative winner and a place of stability in a volatile world.

[4] INREV, May 2025

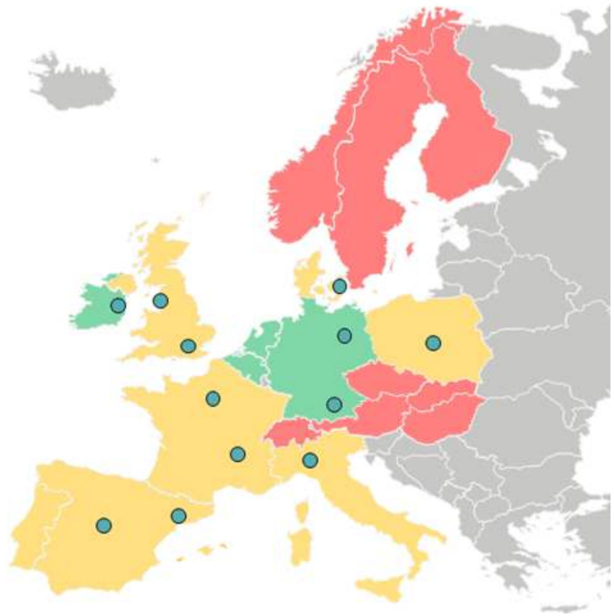
Market outlook

Germany set to support an acceleration of today's European real estate recovery

The German market remains one of our top calls, with our view only strengthening over the past six months. The government's reform of the debt brake is expected to bolster GDP growth, with additional defence and infrastructure spending potentially contributing to substantially faster growth over the coming five years – and without compromising public debt. Naturally, there are questions around global trade, but these are typically location specific and on the whole offset by other positive trends. Real estate fundamentals are healthy, with supply muted across sectors. Generally, we remain focused on key markets like Munich and Frankfurt – although residential opportunities in smaller cities may also prove compelling.

Our outlook for the United Kingdom and France is somewhat more muted. In part this reflects a pricing recovery one step ahead of the European average, but in both cases fiscal strains and economic headwinds also remain a concern. And while both London and Paris continue to see robust rental growth across all major sectors – with office potentially gaining at the expense of U.S. financial hubs – current pricing and potential hedging costs in the UK do not support an overweight call.[5] Given strong fundamentals, higher yields and less investor competition, some regional cities such as Manchester and Lyon may now be offering more attractive opportunities than the capital cities.

Market Calls (all sector average)



Source: DWS, June 2025
Note: Based on risk-adjusted DWS in house real estate return five-year forecasts for office, logistics, residential and shopping centres. Green = Positive, Orange = Neutral, Red = Negative

Spain has also risen in our rankings, with strong economic growth supporting performance and increasing investor interest. Spanish residential is one of our stand-out markets, with offices in Madrid and logistics in Barcelona also offering robust rental growth. And while lower than average yields and a slightly higher hurdle may be preventing Spain moving into an overweight position,[5] the outlook is incredibly healthy.

Warsaw and Milan are two more locations worth noting. Milan stands out positively against a more subdued country outlook, with residential, student housing and a tight logistics market looking promising. And while investor sentiment towards Poland has been muted in recent years, the country is on a positive trajectory as economic growth well in advance of the European average and a moderating construction pipeline reduce previously high levels of vacancy.

Dublin, Amsterdam and Copenhagen also feature highly in our rankings.[5] Given some of the strongest projected population growth in Europe, the outlook for residential demand across all three cities looks compelling. Low office yields in Copenhagen, high office vacancy in Dublin and trade risks to Rotterdam provide some room for concern, but overall, the outlook is positive.

[5] Based on risk-adjusted DWS in house real estate return five-year forecasts. This does not relate to any specific products.

Sector outlook

Living sector leading the pack

The coming period won't necessarily be smooth sailing. As we navigate this period of volatility, focusing on real estate fundamentals is more important than ever. Structural trends, local dynamics and supply shortages are expected to be the primary drivers of rent growth. We also observe a growing polarisation between locations and asset qualities, and hence a greater dispersion between the "winners" and "losers."

The reaction of the listed market over recent months also suggests that sector performance could differ considerably in response to major economic and political events. The notable outperformance of the residential names, and the underperformance of logistics since the 2 April tariff announcements, stresses this potential for a changed outlook.

Our conviction towards living, as the most defensive sector with chronic undersupply and ongoing supply constraints, has only strengthened. Demand remains robust, particularly in growing cities, where urbanisation and lifestyle changes drive housing needs. Vacancy rates in the 2-3% range reflect the tight supply and healthy demand. Copenhagen, Berlin and Madrid, where we still expect rent growth in the range of 5% p.a. over the next five years, remain some of our top picks. Similarly, strong regional markets like Valencia or Leipzig are catching up from lower rent levels, achieving similar growth rates.

City Sector Calls

Source: DWS, June 2025
Note: Based on risk-adjusted DWS in house real estate return five-year forecasts for office, logistics, residential and shopping centres.

Student housing is expected to perform well as the sector remains undersupplied and could even benefit from international students pivoting from the U.S. to Europe. Looking ahead, the sector is poised for continued resilience, and we forecast prime rents to grow at an annual rate of around 3-4% over the next five-years.

We've downgraded some logistics markets, especially those with high exposure to global trade. And while the occupier market is generally in good health, with vacancy rates at 5-6%, some markets have seen vacancy moving higher. The downgrade is far from universal though. Some port locations, notably in Southern Europe, are seeing a trend increase in throughput. Urban infill locations continue to benefit from supply constraints and structural B2C led demand. Defence clusters in places like Munich, Northern Italy and Poland could also benefit from increased defence spending. Rent growth is anticipated to continue at a robust, albeit more moderate pace, with prime rents forecasted to increase by a little over 3% per annum over the next five years.

The European **office** market is seeing selective signs of improvement. However, given pro-cyclical demand, we remain cautious, although central locations in major cities are proving more resilient. On balance we believe location is now a more important factor than quality, although the latter should not be neglected. Overall vacancy rates are nearing their expected peak of 9%, with high-quality new spaces becoming scarcer. European grade A office vacancy is below 6% – and in some central business districts below 2%. Prime rents are already running at record high levels across many of the major markets and forecast to rise by 2-3% p.a. over the next five years, with gateway cities such as the City of London, Madrid and Munich outperforming.

The broader retail sector remains challenging, especially given lower consumer confidence and cost pressures. Vacancy rates, though elevated, have begun to stabilise, particularly in prime assets, while rents have rebased and have started to grow modestly. The picture is, however, uneven and looking ahead we forecast shopping centres to see rent growth of just 1-2% p.a. over the next five years. Nonetheless, this is a turnaround compared to much of the past five years, and therefore it's perhaps not surprising to see an improvement in liquidity, particularly for grocery-led and out-of-town schemes.

2 / Investment Strategies

Looking back at the first half of this year, some may have had a hard time deciphering the implications for real estate investment strategies. And although markets do seem to have calmed since the extreme volatility of April, sentiment remains cautious. Nonetheless, with Europe a seeming beacon of light, we're seeing increasing evidence of the region rising in investor preferences, boosting allocations from both domestic and cross-border capital.

Overall, we continue to like strategies across the spectrum of the living sector, with a focus on both core and value-add, and while we may have downgraded some parts of the logistics market, we see selective value in areas less exposed to trade flows and benefitting from fiscal spend. We're more selective on the office and retail sectors and believe it will still take some time for most niche sectors to reach institutional scale, but in all cases, at the asset level, opportunities exist for managers with the right expertise to achieve attractive risk-adjusted returns.

Core regaining traction; value-add focused on structural trends

Core real estate might be an obvious beneficiary in this market. However, we think the case for core goes beyond stability or a perceived safe-haven status. Having fully repriced, and then returning to positive capital value growth, we were already seeing improving sentiment towards core investment strategies by the end of last year. This was clearly seen in the latest INREV Investor Intentions Survey,[6] as near double the number of respondents stated a preference for core strategies, compared to 2024. And although today's backdrop may lead some to shy away from higher-risk strategies, in our opinion there remains a strong case for value-add strategies in parts of the European market. Most notably, those strategies that incorporate both structural demand drivers and chronic supply constraints, naturally leading us to the living sector.

Living

Our living sector conviction has strengthened further over the past six months. Exceptionally low vacancy rates, stable income, future household growth, rising disposable incomes and an immediate future where undersupply (based on today's development pipeline) is practically baked into the equation. Despite persisting concerns about affordability and regulation in some European markets, demand-supply imbalances remain critical and without an imminent solution.

Affordable, new-build residential

We still prefer new-build residential assets, especially in commuter locations within major cities, but also in select regional hubs, given the better affordability ratios. These assets may provide the ability to increase rents in line with the market and meet ESG-related goals including energy efficiency ratings, air quality and carbon emissions.

- Germany Top 7: Countrywide vacancy levels have trended down further to 2.5% in Germany, while in both major hubs and dominant regional cities, vacant space is virtually non-existent.

- Spain: Spain is projected to be one of the fastest-growing economies in the Eurozone in the coming years. Demand for more affordable housing underlines the acute strain on households posed by rising rents in Madrid.

- Copenhagen: Supported by a persistent demand-supply imbalance. Commuter locations, such as Herlev and Glostrup, are expected to offer stronger rent growth potential and higher entry yields than city centre multi-family, facilitating potentially more attractive risk-adjusted returns.

Creative living solutions

Given the chronic shortage of living space across almost all of Europe's major cities, we also see opportunity for real estate investors to embark on creative solutions to provide additional residential accommodation. We believe these creative solutions could take several forms, from the refurbishment of existing living space to the repurposing of existing non-residential buildings, and tactical approaches in the face of developer stress. Not all these approaches will be appropriate for every

[6] INREV investors intention survey 2025, January 2025

European market, and to meet the required value-add type returns, this approach will need to be highly selective, focusing on both market fundamentals and local dynamics, as well as asset-level structural considerations.

- Refurbishing existing living assets: We like more established residential markets such as Germany and the Netherlands, to bring aged assets up to a modern, energy and safety-compliant standards. There is potential for performance to be bolstered by government support in places, as well as the uplifting of rents on delivery.

- Repurposing: Conversion to highest and best use of non-residential assets including office, parking facilities and retail. There is a growing capital value gap between underappreciated sectors and residential, providing room for repositioning uplift. This would be suitable across non-central locations in high-demand residential markets.

- Tactical: Developer stress in the face of higher construction and financing costs, may provide opportunities for creative solutions, including portfolio aggregation and moving for-sale product into the rental sector.

Student housing

The sector is known for its resilience and counter-cyclical characteristics as it is typically inversely related to the economic cycle: the tougher the job market, the more likely the decision to study. Demand is coming from both domestic and international students, given the lack of good-quality purpose-built student accommodation (PBSA) and tight for-rent residential markets. Furthermore, tighter U.S. immigration rules, reduced visa allocation, and a growing geopolitical uncertainty may prompt some international students to pivot away towards destinations in Europe.

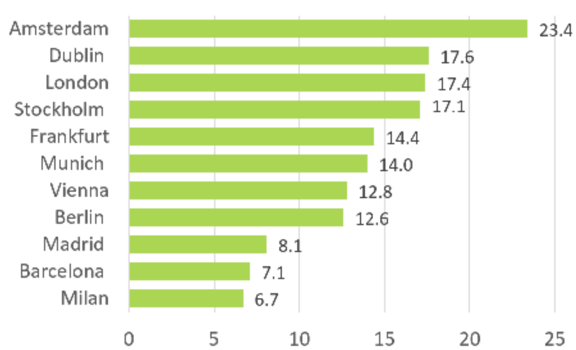
European markets with global university brands (i.e. highly ranked universities) and structural undersupply of purpose-built student accommodation (PBSA) are well-positioned to capture this redirected demand in our view.

- Germany: Combines low tuition fees with strong global reputations in STEM and engineering. Major cities such as Berlin, Munich and Frankfurt host large institutional student populations.

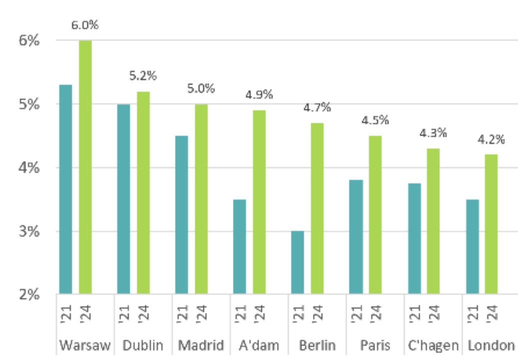
- United Kingdom: The UK remains a global leader in international education, despite Brexit and higher fees for EU students. The re-introduction of a post-study work visa has reinforced demand from international students.

- Spain & Italy: Increasingly popular destinations among international students, due to quality of education and an increasing number of English-taught courses. Key student hubs like Madrid and Milan have low provision rates.

Provision Rate (beds per mobile student, %)



PBSA Yields (2021-24)



Source: Bonard, June 2025

Logistics

The announced U.S. tariffs are clearly providing challenges for the logistics sector. Retaliatory tariffs could further decrease demand, but fiscal stimulus in Europe's largest economy and commitments to boost defence spending provide some optimism. This could help offset declines in traditional sectors, with growing demand from the defence industry. European defence and military clusters with integrated logistics facilities are likely to see more demand for industrial, warehousing and high-spec logistics spaces amid rising defence budgets. By targeting these clusters, investors could capitalise on the stable and long-term occupier demand, favourable public-private partnerships, and the resilience of the defence sector through economic cycles.

Germany: Europe's defence and logistics powerhouse

Germany's defence and logistics ecosystem is unmatched in scale and sophistication in Europe. The Rhine-Main, North Rhine-Westphalia and Bavaria regions are home to major players and benefit from consistent government investment and an export-driven defence sector.

- Rhine-Main: A strategic logistics hub in the heart of Germany and near Frankfurt airport.
- North Rhine-Westphalia: Home to various defence manufacturers; benefits from good rail and road infrastructure.
- Bavaria: Hosts Airbus Defence and Space, along with a dense network of suppliers and logistics providers.

Southern European standouts: strategic strength meets industrial depth

The South of Europe is home to some of the continent's most dynamic defence and aerospace ecosystems. Greater Paris, Toulouse, Northern Italy and Seville each offer a blend of industrial heritage, innovation and strong logistical connectivity. These regions benefit from defence-related manufacturing bases and proximity to key military and government institutions.

- France: Ile-de-France has a concentration of defence contractors and logistics firms, benefitting from proximity to government institutions. The Occitanie region (Toulouse) is anchored by Airbus and a dense aerospace supply chain.
- Northern Italy: Lombardy and Piedmont are the core logistic engines for Europe and have a well-established defence and aerospace supply chain.
- Spain: Southern Spain hosts key aerospace defence hubs, including Seville's Aerópolis campus. Madrid is also a major centre, with the Getafe campus supporting aerospace assembly, satellite production and Airbus's defence operations.

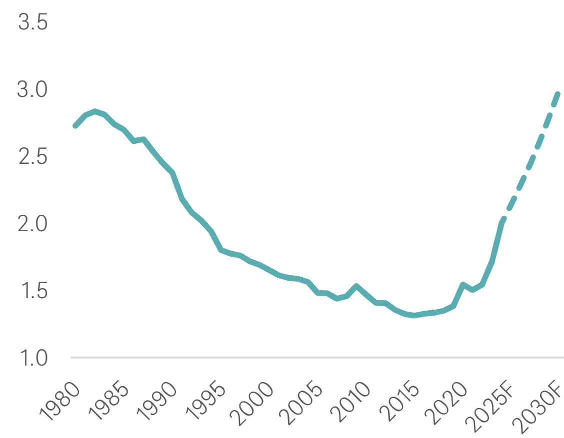
Poland: Europe's new workbench?

The Polish logistics sector is showing strong mid-to-long-term prospects, based on economic outperformance, significant infrastructure improvements and skilled but inexpensive labour. These are the ingredients to make the CEE region, and Poland in particular, a key destination for ongoing supply chain adjustments. Additionally, Poland could be a major beneficiary from a rebuild of Ukraine, thanks to a similar language, cultural ties and close proximity.

- Warsaw: Increasingly affluent population with a focus on consumer spending and urban logistics.
- Major manufacturing hubs: Availability of land, labour and links into Europe make many regional logistics markets key destinations for nearshoring.

European Military Manufacturing Hubs

EU: Military Expenditure as % of GDP



Source: DWS, Oxford Economics June 2025

Other Strategies

Across other sectors our approach would be highly selective. For office we like only a select number of fast growing, high productivity cities such as London, Berlin, Paris, and Madrid. In all cases our number one priority would be location as occupiers gravitate towards well-connected central submarkets. And while asset quality remains key, submarket selection is paramount. Average-quality office assets in the best submarkets are outperforming best-in-class office assets in weaker, less desired submarkets. What's often called a flight to quality is a recommitment to prime locations – where amenities, connectivity and talent access converge.

With that in mind, in prime locations we see the opportunity to create value through modest capital expenditure. By implementing strategic asset management initiatives, such as upgrading amenity spaces or modernizing Cat A fit-outs with energy-efficient features such as LED lighting, owners may be able to substantially enhance the appeal and performance of a well-located but underperforming asset.

Across the retail sector, strategies would again fall into a very limited bucket of locations and assets. Grocery-anchored retail parks continue to screen favourably, while long-term those destinations that can provide a high degree of service – from healthcare to leisure – could be resilient. However, overall, we now see retail as an operationally intensive sector, requiring a high degree of specialism.

Finally, the emerging niche real estate sectors have been gaining in importance in the European real estate investment landscape, as investors seek diverse sources of income and resilience amid ongoing cyclical uncertainty. Sectors such as data centres, senior living and healthcare are benefitting from structural demand drivers, including demographic shifts, most notably Europe's ageing population, as well as rapid advancements in data and infrastructure.

The investment case for niche sectors is often compelling, but in practice, opportunities to access these sectors remain relatively limited, particularly for core investors. Niche sectors still account for only around 5% of the European real estate universe and while the long-term growth outlook is good, barriers to entry are high. Many niche sectors require significant upfront capital, specialist knowledge and expertise, and often a willingness to take on development or operational risk. As a result, building scale will likely be a gradual process.

Developing a deep understanding of the operational models and structural characteristics of these sectors, as well as having a strong grasp of their underlying fundamentals, will be key to unlocking future investment opportunities.

3 / Country Summaries

Germany	– Fiscal investment is expected to boost economic growth, while 10-year bunds are back at 2.5%, supporting real estate pricing. Cross-sectoral take-up is in recovery mode. – Overall, the office market remains weak, but the prime end should see strong growth, driven by polarisation and flight to quality. We favour Frankfurt, Munich and Hamburg.	– Residential is expected to see the strongest rent growth, driven by undersupply. We like refurbishments and living subsegments. Look beyond the Top 8 cities for compelling growth stories. – Logistics is set to be boosted by infrastructure investments but remains selective. We favour Munich, Frankfurt and Düsseldorf but are more cautious in the North and East (Berlin, Bremen).
France	– Growth should be subdued this year and next, amid weak productivity and a soft labour market. But easing inflation and investment in key sectors will aid the medium-term outlook. – Despite a sluggish economy and caution among both occupiers and investors, we continue to see rental growth and stabilising yields across the core sectors.	– Logistics offers steady rental growth, though this is less pronounced than in recent years. We remain positive on Paris, Marseille and Lyon due to persistent demand-supply gaps. – The residential rental segment is seeing strong demand from households priced out of ownership. PBSA also attracts investors, as student numbers rise and supply remains low.
UK & Ireland	– Confidence has softened amid rising uncertainty, pausing the price recovery. But solid fundamentals and healthy rent growth lead to a positive medium-term outlook. – The residential sectors remain resilient, supported by structural undersupply and strong rental demand, with affordable student housing appearing well-positioned for outperformance.	– Location is driving office performance, with well-connected, amenity-rich submarkets in Central London expected to see continued strong rent growth over the near-to-medium term. – Tariff uncertainty calls for increased selectivity in UK logistics, with multi-let assets and defence-linked regions offering the most resilient opportunities.
Southern Europe	– Spain and Portugal remain top performers within the Eurozone, with robust job growth supporting household incomes. While Italy's growth lags, Milan continues to lead on fundamentals. – Living is the preferred investment segment in Iberia. Continued strong demand and a subdued pipeline are expected to drive rental growth above the European average.	– Milan is one of our top-performing cities in our latest European real estate forecasts, with strong rental growth projected across offices, logistics, and residential. – Retail in both Iberia and Italy is seeing a turnaround in performance as vacancy rates decline and investor sentiment improves.
Benelux	– The Benelux economies show varied performance. The Netherlands sees moderate growth, while Belgium and Luxembourg face slower growth due to soft consumer demand. – Sustainability and logistics will drive commercial real estate growth in the Benelux over the forecast period, with demand for green buildings and industrial space rising.	– Antwerp logistics is projected to see strong rental growth over the forecast period, underpinned by the city's strategic port, which is seeing significant growth in container handling. – Benelux student housing demand is rising sharply, especially in Amsterdam and Leuven, driven by growing demand from international students.
Nordics	– The Nordic economies remain solid, led by Stockholm and Copenhagen, but rising geopolitical risks and Finland's fiscal constraints could weigh on the region's growth. – The living sectors remain resilient, with yield compression and strong rent growth in build-to-rent and student housing, especially in Copenhagen's affordable commuter locations.	– Urban logistics in Nordic metros show resilience despite U.S. tariff headwinds, though Stockholm's rising vacancy and Denmark's trade exposure pose near-term risks. – Nordic office markets are set to underperform, with Helsinki facing subdued prime rent growth, while Stockholm and Copenhagen look expensive relative to other European markets.
Central Europe	– The Polish economy shows resilience and is expected to outperform yet again. While the outlook for 2025 declined slightly, strong ties to the German economy prove supportive. – Fundamentals in the logistics sector are stabilising, with supply easing further. Persistent uncertainties around tariffs and global trade should prove beneficial for the sector, locally.	– Healthy fundamentals and increased polarisation are driving the prime end of the Polish office sector. Our promising outlook persists, with some downside risks around resurgent supply. – Pricing for private residential continues to nudge up, putting owner-occupier affordability to the test. While our focus remains on PBSA, the importance of social housing is increasing.

Real Estate Research Team

Office Locations

Frankfurt
Mainzer Landstrasse 11-17
60329 Frankfurt am Main
Germany
Tel: +49 69 71909 0

London
45 Cannon Street
London, EC4m 5SB
United Kingdom
Tel: +44 20 754 58000

New York
875 Third Avenue
26th Floor
New York
NY 10022-6225
United States
Tel: +1 212 454 3414

San Francisco
101 California Street
24th Floor
San Francisco
CA 94111
United States
Tel: +1 415 781 3300

Singapore
One Raffles Quay
South Tower
15th Floor
Singapore 048583
Tel: +65 6538 7011

Tokyo
Azabudai Hills Mori JP Tower
1-3-1 Azabudai
Minato-ku
16th Floor
Tokyo
Japan
Tel: +81 3 6730 1300

Sydney
Level 16, Deutsche Bank Place
Corner of Hunter and Phillip Streets
Sydney NSW 2000
Australia
Tel: +61 2 8258 1234

Teams

Global

Kevin White, CFA
Global Co-Head of Real Estate Research

Simon Wallace
Global Co-Head of Real Estate Research

Americas

Brooks Wells
Head of Research, Americas

Liliana Diaconu, CFA
Office & Retail Research

Ross Adams
Industrial Research

Sharim Sohail
Self-Storage Research

Europe

Ruben Bos, CFA
Head of Real Estate Investment Strategy, Europe

Siena Golan
Property Market Research

Carsten Lieser
Property Market Research

Tom Francis
Property Market Research

Rosie Hunt
Property Market Research

Martin Lippmann
Head of Real Estate Research, Europe

Asia Pacific

Koichiro Obu
Head of Real Estate Research, Asia Pacific

Hyunwoo Kim
Property Market Research

Seng-Hong Teng
Property Market Research

Matthew Persson
Property Market Research

AUTHORS

Ruben Bos, CFA
Head of Real Estate Investment Strategy, Europe

Martin Lippmann
Head of Real Estate Research, Europe

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