The French investment market

Q1 2025	The investment market	knightfrank.fr/etudes/

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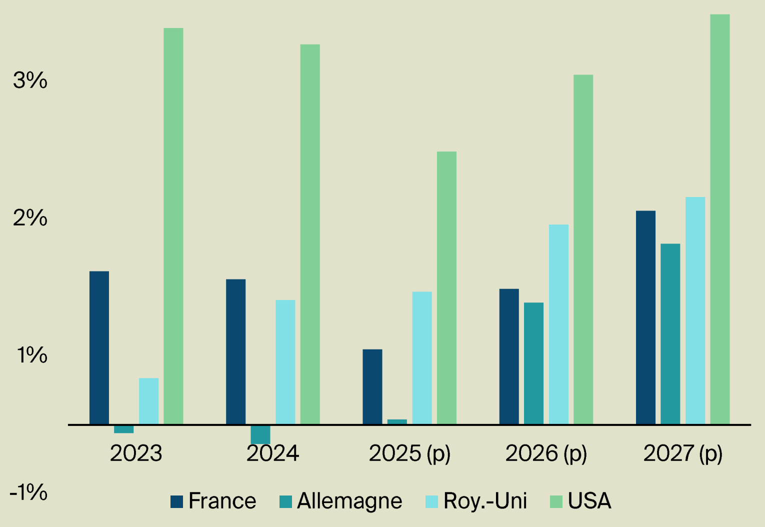
01. General trends

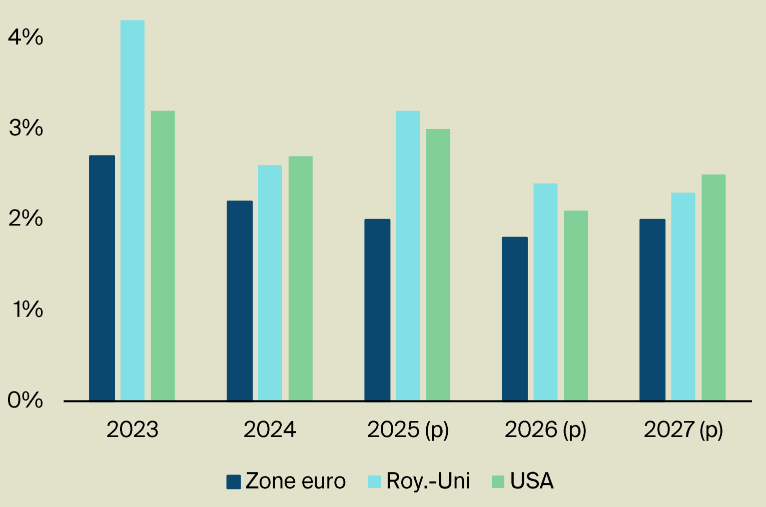
Economic indicators tested by the uncertainties of a trade war

The French economy navigated a turbulent environment marked by an economic slowdown in the first quarter of 2025, but which shows signs of a turnaround in the coming quarters. After a 0.1% decline in the fourth quarter of 2024, linked to the aftermath of the Olympic Games and a climate of political uncertainty, growth is expected to remain modest in the first half of 2025. Nevertheless, a gradual recovery is anticipated from the second half of the year, driven by an expected improvement in European demand, particularly in Germany, and a hope that external tensions will ease.
Inflation continues to slow, with an average rate of 2% expected for 2025 in the eurozone, compared with 2.7% in 2023 and 2.2% in 2024. Although partly due to weaker demand, this disinflation is creating conditions for more favourable purchasing power in the medium term. Whilst household consumption will remain cautious in the short term, a gradual recovery is possible as confidence stabilises.
Against this backdrop, the European Central Bank is adjusting its monetary policy: two rate cuts of 25 basis points are planned between now and June 2025, bringing the deposit rate down to 2%. This move is intended to support activity by facilitating corporate financing and stimulating domestic demand.

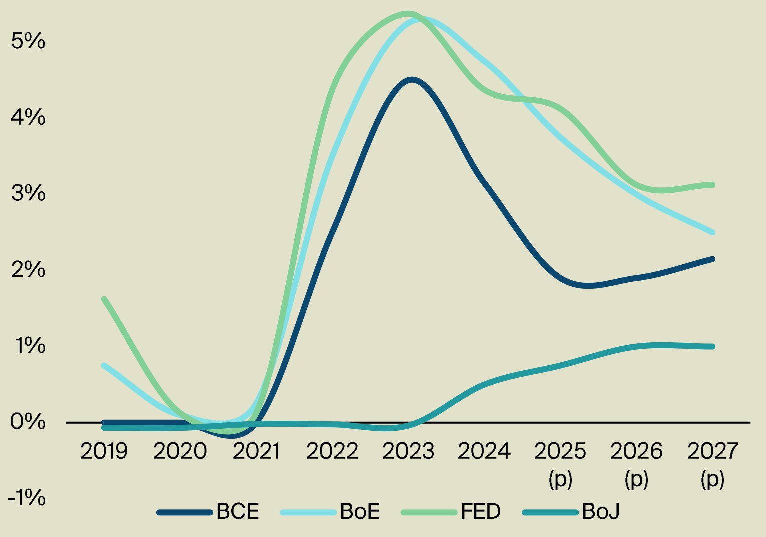
GDP
As a %, annual growth



Inflation
As a %, annual growth



Central bank policy rates
As a %

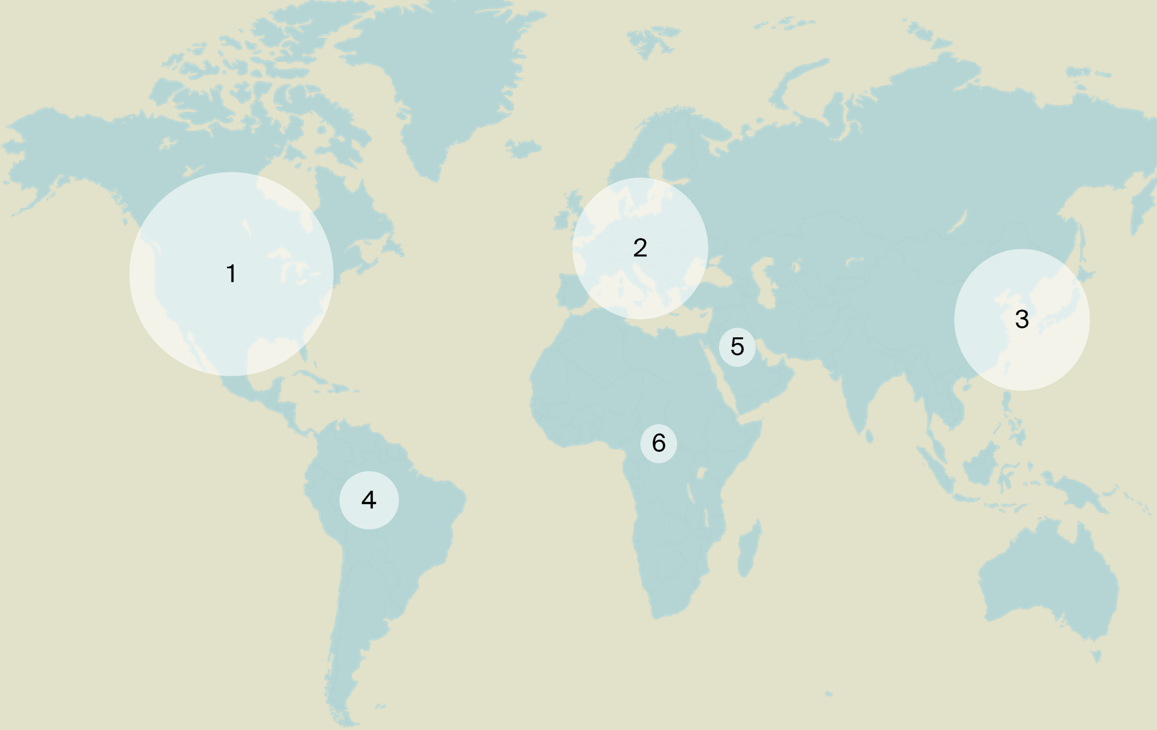


SOURCE : Oxford Economics – p = projections

Globally: close to €85 billion invested in commercial real estate in the 1st quarter of 2025

Corporate real estate investment volumes
In billions of euros

1	North America	€41.5 Bn *(-2% year-on-year)*
2	Europe	€22 Bn *(-10% year-on-year)*
3	Asia Pacific	€20 Bn *(-40% year-on-year)*
4	South America	€0.5 Bn *(+20% year-on-year)*
5	Middle East	€0.1 Bn *(+400% year-on-year)*
6	Africa	€0.1 Bn *(-80% year-on-year)*



SOURCE : RCA

In the first quarter of 2025, almost €85 billion was invested globally in commercial real estate. This volume, down 15% compared to the same period in 2024, reflects a still unstable economic and geopolitical environment, exacerbated by Donald Trump's recent position statements. However, the first-quarter figures must be interpreted with caution, as a consolidated assessment will be made at the end of the half-year.

Regional dynamics are somewhat mixed. In North America, the market is proving resilient, with investment volumes virtually unchanged from early 2024. In contrast, Europe is down by around 10%, largely attributable to the sharp slowdown in the UK market, historically the largest European market, which is down by more than 30% year-on-year. This slowdown contrasts with the upturn in activity observed in Germany, Spain and Italy, where volumes are growing at double-digit rates, signalling a gradual readjustment.

The Asia-Pacific region, meanwhile, is experiencing a sharp slowdown, particularly in China, where investment has fallen to less than €4 billion, compared with more than €8 billion a year earlier.

Key figures for the French commercial real estate investment market

	Q1 2025	Q1 2024	Annual change
French investment volumes	€3.4 B	€2.2 B	▲
Number of transactions	99	137	▼
Number of transactions > €100 M	*6*	*5*	▲
*Share of transactions > €100 M**	*57 %*	*38 %*	▲
Share of portfolios*	33 %	15 %	▲
Share of volumes invested in the Greater Paris Region*	72 %	56 %	▲
Share of foreign investors*	31 %	43 %	▼
*Share of offices**	*41 %*	*49 %*	▼
*Share of retail**	*38 %*	*21 %*	▲
*Share of industrial**	*21 %*	*30 %*	▼
Prime office yield	4.00 % - 4.25 %	4.25 % - 4.50 %	▼
Prime retail yield	4.25 % - 4.50 %	4.50 % - 4.75 %	▼
Prime logistics yield	4.75 % - 5.00 %	4.75 % – 5.00 %	=

** Share of total volumes invested in France, all asset types combined*

Source : Knight Frank

With almost €3.5 billion invested in the 1st quarter of 2025, the market is beginning to rebound

After a year marked by one of the lowest levels of investment in corporate real estate in France in 2024, the first quarter of 2025 shows signs of a new cycle. Several favourable signals, which gradually appeared last year, now seem to be gaining ground, notably the easing of financing conditions, which is restoring liquidity to the market.

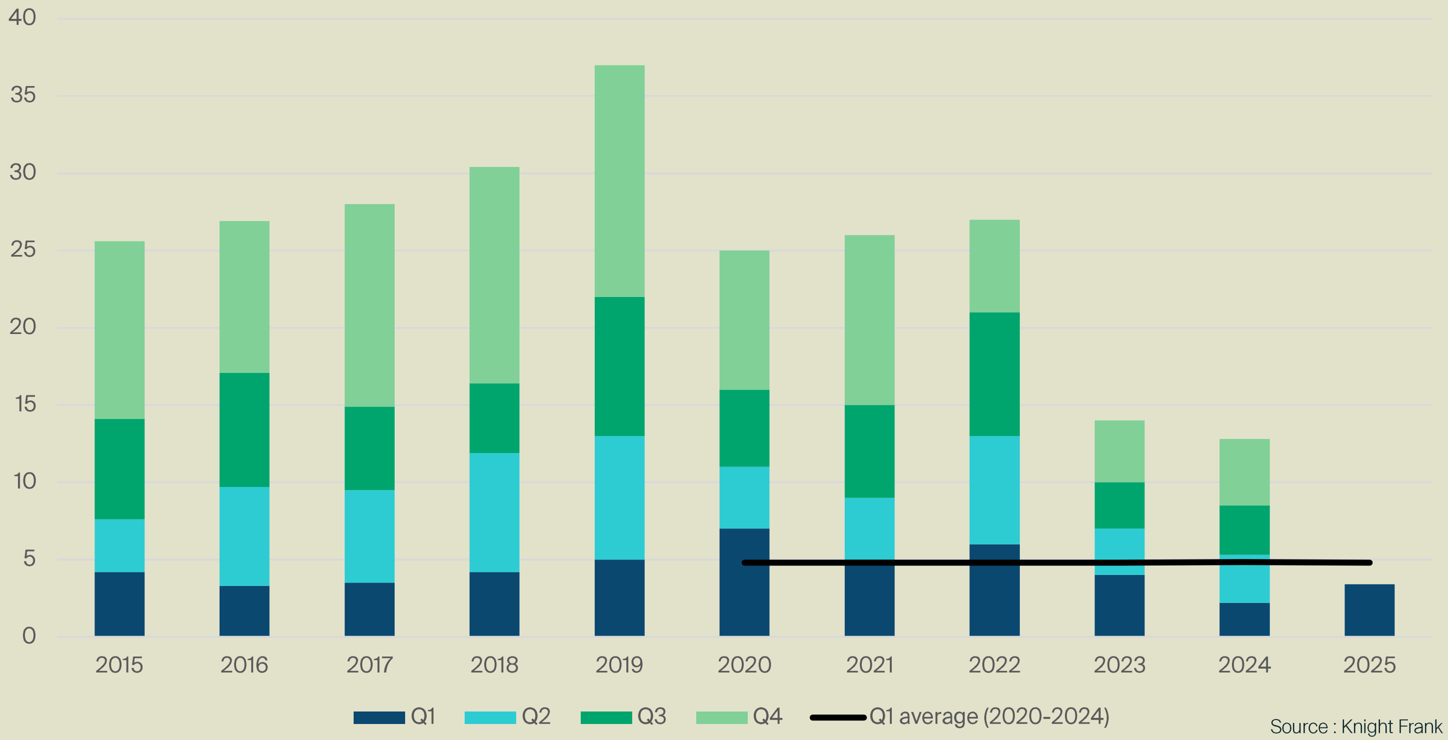
From January to March 2025, investment volumes reached nearly €3.5 billion, up more than 50% compared to the same period in 2024. This performance brings quarterly activity levels back to those seen during dynamic phases such as 2016 and 2017, when annual investments exceeded €27 billion.

The post-Covid context and structural changes linked to the widespread adoption of remote working continue to weigh on the market, particularly on corporate real estate, and are still limiting the chances of a return to previous highs.

However, given the current momentum and transactions currently under negotiation, it is reasonable to expect a total investment volume of around €15 billion for the whole of 2025. This scenario remains dependent on the global environment remaining stable: an exogenous shock, whether geopolitical or commercial, could once again disrupt the recovery that is beginning to take shape.

Volumes invested in commercial real estate in France

In billions of euros, by quarter



Source : Knight Frank

A dynamic start to the year for the office and retail sectors, driven by the Paris market

As the property market enters a new cycle, investors are continuing to diversify their portfolios in response to changing lifestyles, economic developments and demographic trends. This trend was already evident in 2024, when a significant shift occurred: for the first time, office assets no longer accounted for the majority of investment in corporate real estate, falling below the 50% threshold.

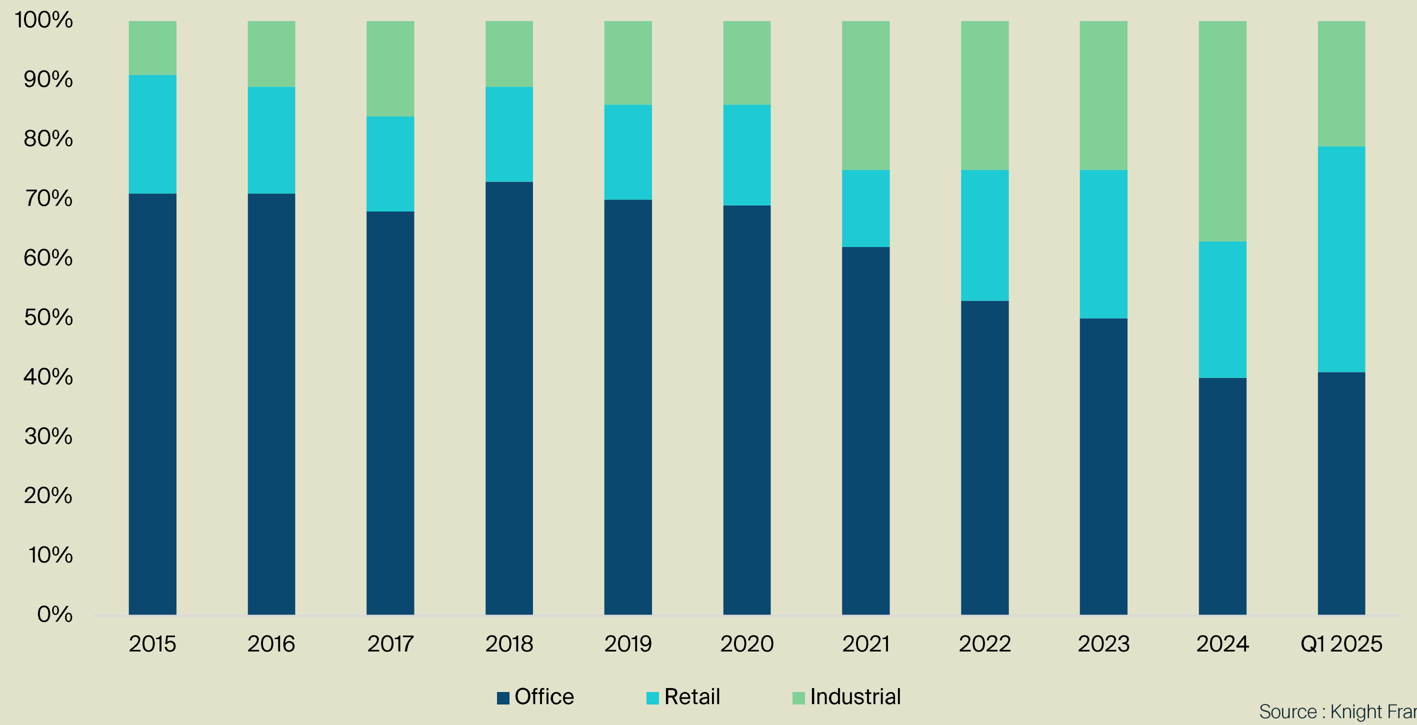
In the first quarter of 2025, however, the market share of offices appears to have stabilised at just over 40%. Several significant sales processes are underway in this sector, and if they are successful, office property could return to a share closer to 50% of investment commitments by the end of the year.

Retail property, meanwhile, stood out at the beginning of the year with an exceptional market share of close to 40%. This result was driven by the sale of a portfolio of iconic Parisian assets for more than €800 million, as well as investments in the Westfield Forum des Halles shopping centre (more than €200 million). This level is expected to normalise over the coming months, settling at between 20% and 30% by the end of the year.

At the start of 2025, industrial real estate is down slightly from post-2020 levels, amid a lack of large portfolio transactions. However, with several transactions due to be completed, this sector should regain momentum to account for between 25% and 30% of corporate real estate investments at the end of the financial year.

Breakdown of commercial real estate investment volumes in France

As a %, by asset type



Source : Knight Frank

Domestic investors acquiring assets amid an uncertain international context

Following a historic low in 2023, the return of foreign investors in 2024 confirmed their interest in the French real estate market. The first quarter of 2025 continued this trend: with nearly €1 billion committed between January and March, volumes remained stable compared to the same period last year.

On the other hand, the market share of foreign capital is down slightly, which is logical given the stronger recovery in domestic investment.

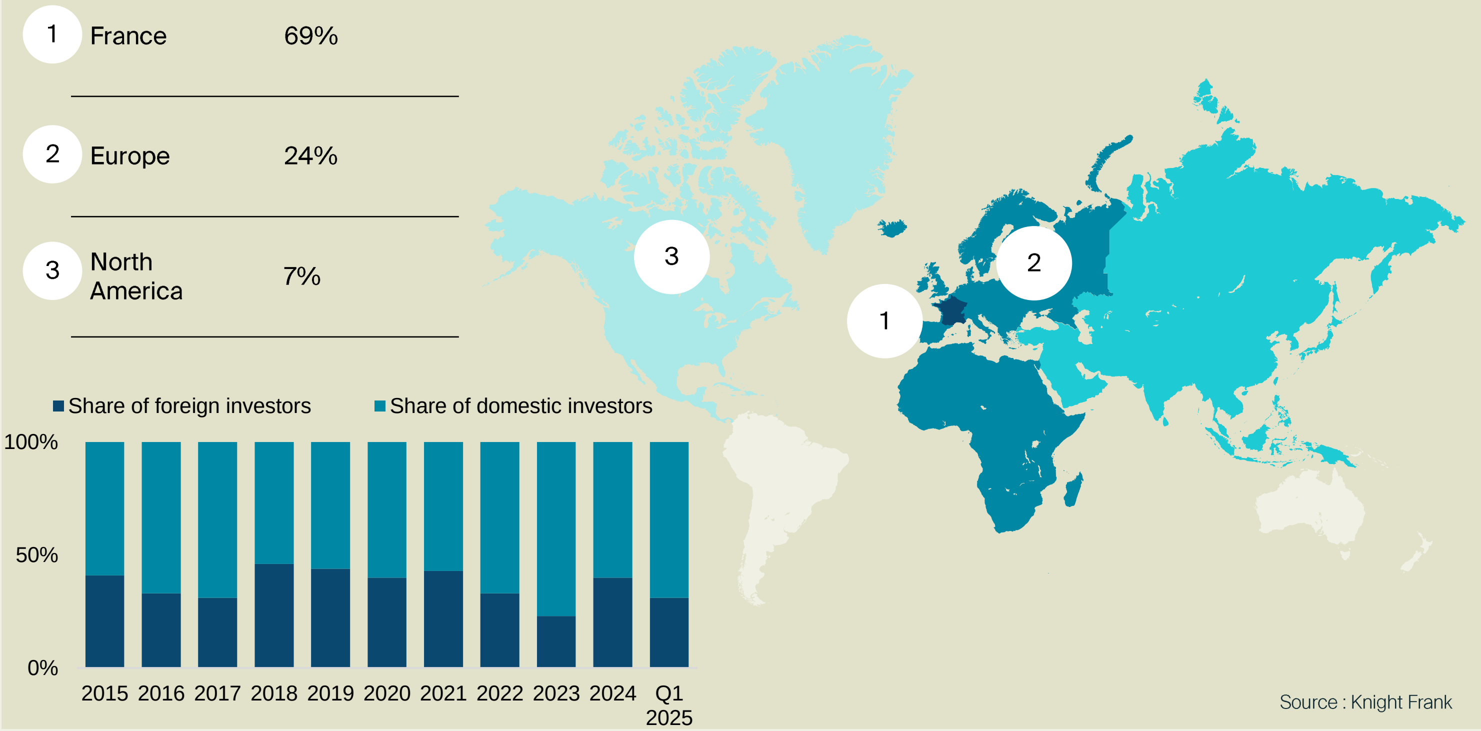
For several years now international investors, particularly North American investors, have focused their attention on the logistics sector, with numerous warehouse acquisitions.

That said, the start of this year has been marked by a concentration of foreign investment in office property, which accounts for more than half of total volumes.

Other transactions, particularly in the industrial sector, are expected in the coming months, which will reinforce the role played by international investors and confirm their active presence across all investment sectors.

Breakdown of investment volumes in France by geographical origin

As a % of total investment in corporate real estate



Source : Knight Frank

Funds continue their momentum from 2024, with private investors remaining above their historical average

The French commercial real estate investment market has continued the momentum seen in 2024 into early 2025, revealing marked differences between investor profiles and disrupting the pre-crisis status quo.

Investment funds, including sovereign wealth funds, largely dominate activity, accounting for nearly 75% of total volumes committed. Whether French or international, they were behind all transactions exceeding €100 million during the quarter, covering the three main asset classes of commercial real estate. Notable retail transactions included ARDIAN's landmark acquisition of a 60% stake in a Parisian high street portfolio sold by KERING for approximately €840 million.

In offices, NBIM (the Norwegian sovereign wealth fund) bought 80% of the Trinity Tower in La Défense for nearly €350 million. Finally, in the industrial sector, the TRISTAN CAPITAL PARTNERS / EDMOND DE ROTHSCHILD REIM joint venture invested more than €115 million in a forward-funding sale with a pre-leasing agreement in the Pas-de-Calais region.

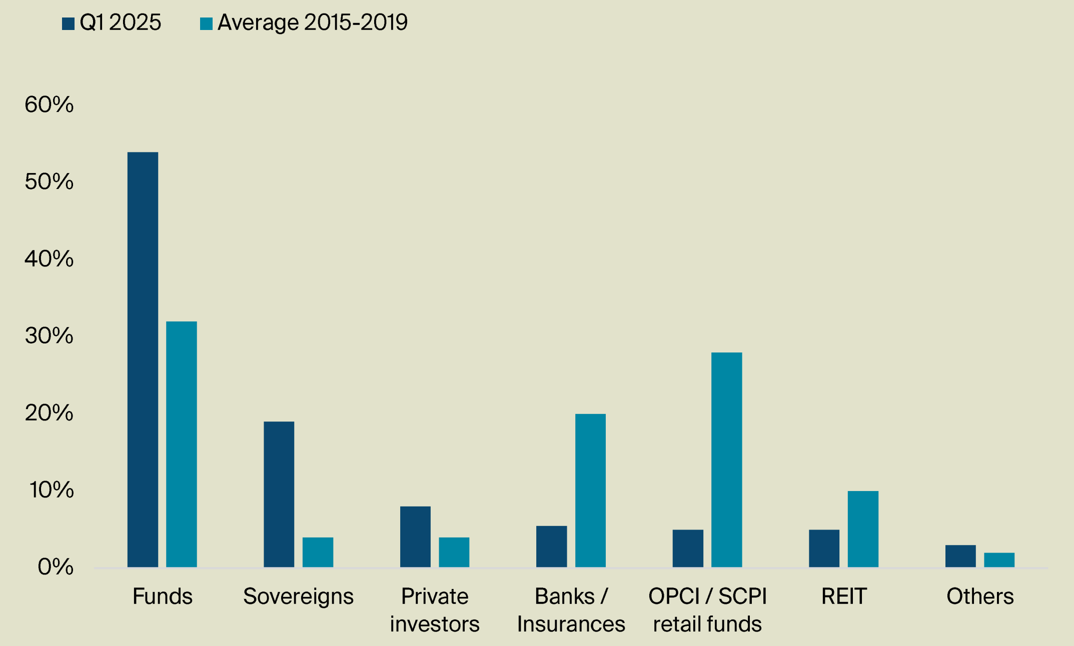
Other categories of investors share the rest of the market, with relatively stable shares ranging between 5% and 8%.

Private investors, who are particularly exposed to offices (60% of their allocations), are maintaining their foothold in the French market.

Activity by SCPIs and OPCIs aimed at the general public remains limited, held back by continued low inflows. No transactions exceeding €50 million were recorded during the quarter. Against this backdrop, it is the "neo-SCPIs" that are driving the market, with a strategy firmly focused on the regions.

Breakdown of CRE investment volumes in France by investor profile

As a % of total investment in corporate real estate



Source : Knight Frank

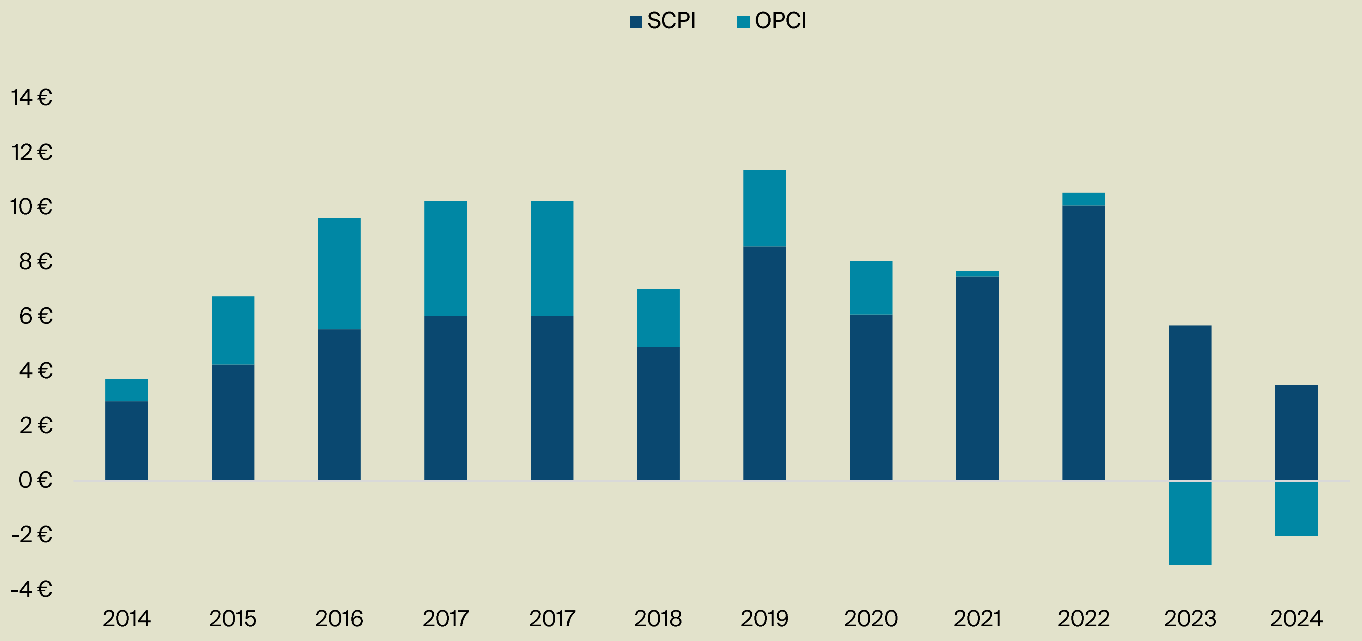
A decrease in inflows, with a shift towards diversified SCPIs

During the first three quarters of 2024, net inflows into SCPIs amounted to €3.4 billion, representing a decrease of nearly 40% compared to 2023.

Diversified SCPIs confirmed their dominance, accounting for 84% of net inflows during this period. This success reflects investor interest in vehicles aligned with societal transformations, which also offer more balanced exposure to market cycles.

In terms of OPCIs aimed at the general public, net outflows fell to €2 billion, signalling a slight improvement compared with the €3.1 billion recorded a year earlier.

Net inflows into SCPI / OPCI
In billions of euros



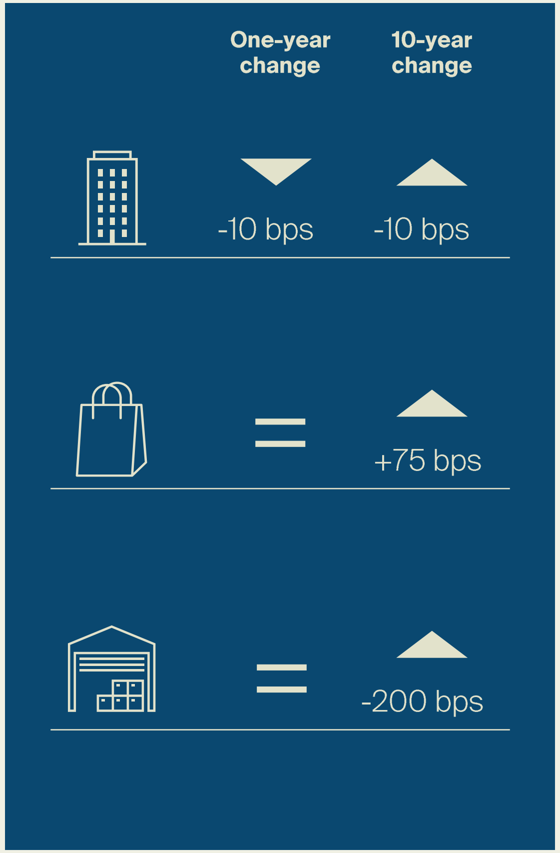
Source : ASPIM

Prime yields:
Stabilisation in a turbulent economic climate

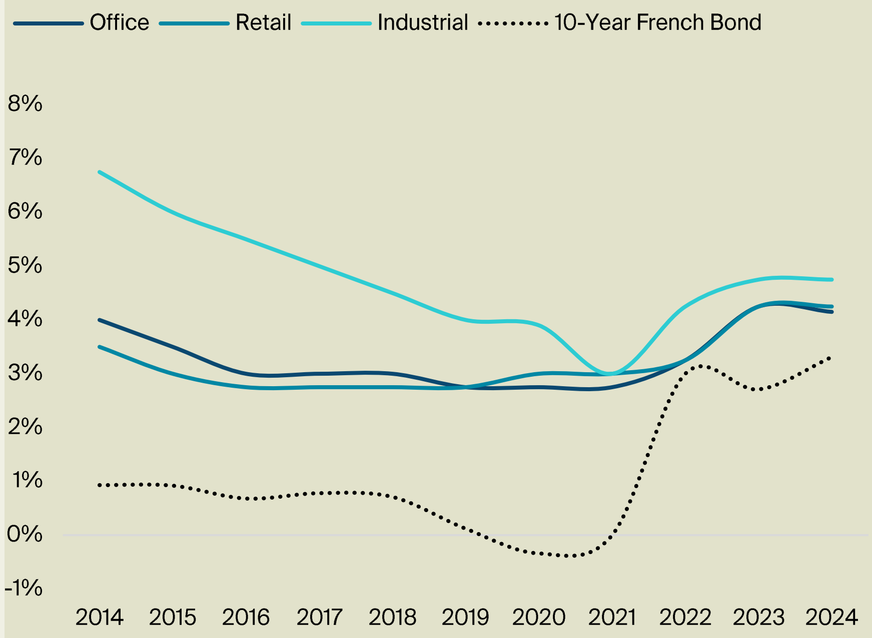
The monetary context, marked by a gradual easing of central bank policies (as seen with the ECB), is creating an environment that is theoretically favourable to a decrease in prime yields. However, several uncertainties are currently preventing the onset of a real contraction.

Donald Trump's economic and geopolitical positions are keeping markets highly volatile, preventing a lasting easing of long-term rates, particularly the 10-year OAT rate in France, which is now hovering around 3.50%. Although dialogue between sellers and buyers has improved compared with previous quarters, facilitating a rapprochement between valuation levels, investors remain attentive to the risk premium offered by real estate compared with other asset classes.

As a result, although real estate fundamentals justify a downward trend in prime yields, their evolution remains closely linked to bond market trajectories and the global macro-financial climate. Visibility on these parameters and their evolution will determine whether a genuine cycle of yield compression resumes in the coming months.



Prime yields
As a %, at the end of the period



Source : Knight Frank

02. Offices

Key figures for the office property investment market

	Q1 2025	Q1 2024	Annual change
Office property investment volumes in France	€1.4 B	€0.5 B	▲
Share of offices*	41 %	54 %	▲
Number of transactions > €100 M	*3*	*4*	▲
*Share of transactions > €100 M***	*49 %*	*34 %*	▲
Share of volumes invested in the Greater Paris Region**	80 %	71 %	▲
Share of foreign investors**	45 %	19 %	▲
Prime Paris CBD yield	*4.00 % - 4.25 %*	*4.25 % - 4.50%*	▼
Prime Greater Oparis Region yield	*6.50 % - 6.75 %*	*6.50 % - 6.75%*	=
Prime Lyon yield	*5.50 % - 5.60%*	*5.25 % - 5.50%*	▲

**Share expressed as a percentage of total volumes invested in France, all asset types combined – excluding non-divisible portfolios.*
***Share expressed as a percentage of total volumes invested in France, in offices.*

Source : Knight Frank

Offices: a promising first quarter, primarily in the Greater Paris Region

In 2025, for the first time since the health crisis, investment in office property recorded positive growth in the first quarter, with an increase of nearly 30% compared to the same period last year. Although the volume remains modest at around €1.4 billion, compared with a ten-year average of €2.9 billion, this recovery could mark a turning point, confirming the signs of improvement seen in recent months in the office sector.

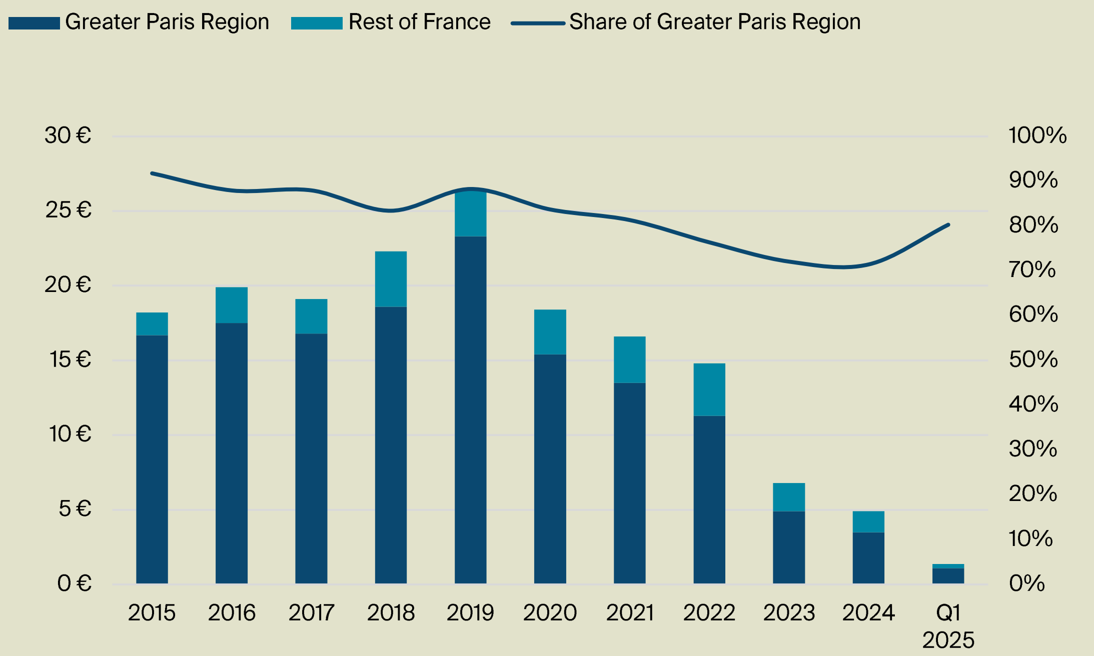
Investors now seem to have a better understanding of the lasting effects of remote working and flexible office arrangements on rental demand, which is encouraging a gradual return of liquidity and greater fluidity in the sales process. The value correction cycle appears to be coming to an end, at least in the most mature markets. However, this recovery remains highly selective, with only sub-markets with strong fundamentals benefiting.
Peripheral areas, characterised by structurally high vacancy rates, continue to be excluded from this momentum.

Obsolete assets also remain on the sidelines of the rebound for the time being. Less than €80 million was invested in them in the first quarter of 2025, illustrating investors' caution towards these assets that need to be redeveloped. However, the political will to simplify the procedures involved in conversion operations could, in the medium term, open up prospects for redevelopment and offer a way out for these distressed assets.

Geographically, investment has become even more concentrated in the Greater Paris Region, which accounts for the overwhelming majority of investment volumes (80%).

Outside the capital region, transactions remain rare. This trend is likely to continue in the coming quarters, with the main sales processes underway focusing almost exclusively on assets in the Greater Paris Region.

French office property investment volumes
In billions of euros, as a %



Source : Knight Frank

Inner Paris remains highly attractive, La Défense is stirring

Office investment in the Greater Paris Region reached €1.1 billion in the first quarter of 2025, up 30% compared to the same period last year. This recovery is particularly evident in the completion of three transactions exceeding €100 million each.

The highlight of the first quarter was undoubtedly the first large-scale transaction in La Défense since the end of 2022. The Norwegian sovereign wealth fund, NBIM, invested nearly €350 million in the acquisition of 80% of the Trinity Tower, signalling renewed interest in Europe's leading business district.

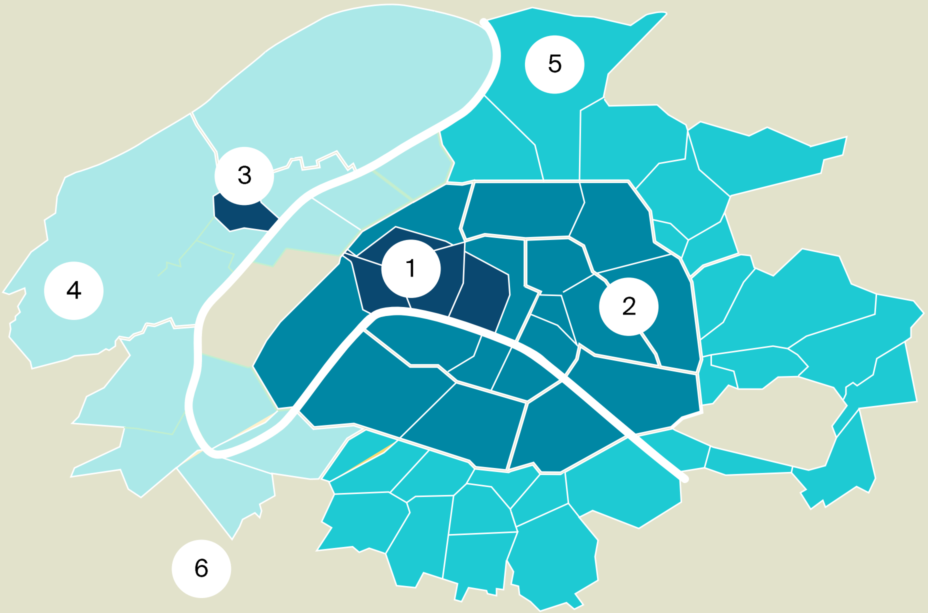
Inner Paris also performed well, attracting around €700 million of investment in office property over the quarter. The amounts invested were evenly split between the Central Business District (CBD) and the rest of the capital.

It is worth noting that the three largest transactions recorded in Paris were all located outside the CBD. These include the acquisition of the Square d'Orléans building in the 9th arrondissement (an area often considered a natural extension of the CBD) by the BEAUMONT / PICTURE duo. On the Left Bank, MINDSTONE CAPITAL acquired an iconic asset on Boulevard Saint-Germain, sold by AEW on behalf of CNP Assurances.

Outside Paris and La Défense, activity remains limited, with very few significant transactions recorded in the rest of the Greater Paris Region so far this year.

Geographic breakdown of office investment volumes in the 1st quarter of 2025
In the Greater Paris Region

1	Paris CBD	€0.3 B
2	Paris other	€0.4 B
3	La Défense	€0.3 B
4	Western Crescent	< €0.1 B
5	Inner Suburbs	< €0.1 B
6	Outer Suburbs	< €0.1 B



Source : Knight Frank

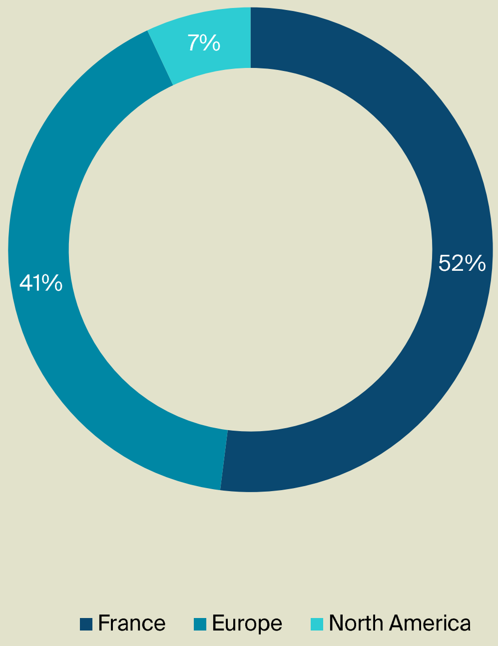
Even split between domestic and foreign investors, which are mostly funds

Whilst the market favoured high value-added transactions for 18 to 24 months, private investors emerged as the dominant players. Their organisational agility, combined with the caution of traditional players (particularly SCPIs) enabled them to raise significant capital, including for transactions exceeding €50 million.

However, a notable change emerged in early 2025 in the profile of investors active in the office sector, continuing the momentum that began in the second half of 2024.
Following landmark transactions such as the acquisition of the Opéra Gramont building by OSAE PARTNER, investment funds have regained their positions in the Greater Paris Region market (whether sovereign or institutional, French or international), once again committing significant amounts to this asset class.

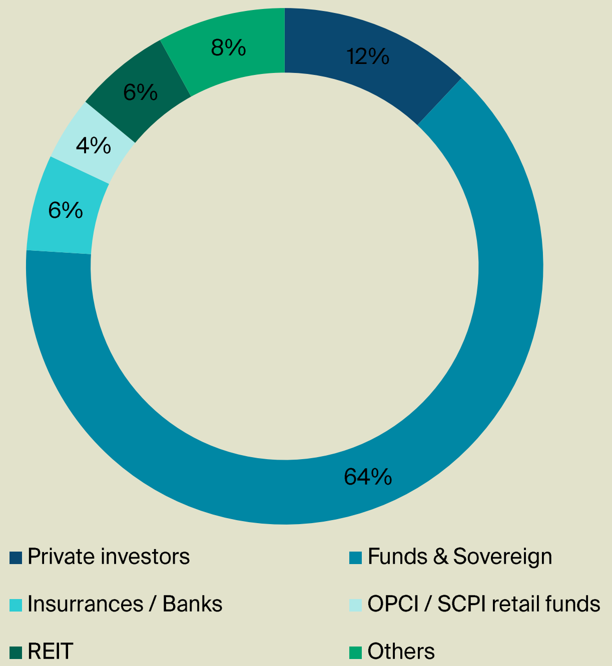
The first few months of 2025 were marked by three large-scale office acquisitions, each valued at over €100 million: Trinity Tower in La Défense, Square d'Orléans in the 9th arrondissement, and 280-282 Boulevard Saint-Germain in the 7th arrondissement.
These transactions illustrate the renewed confidence of this type of investor in the Greater Paris Region office market, which is even more remarkable given that they were all undertaken outside the Paris Central Business District.

Investment volumes in offices by nationality
In France, in Q1 2025, as a percentage of total volume



Source : Knight Frank

Investment volumes in offices by investor type
In France, in Q1 2025, as a percentage of total volume



Source : Knight Frank

Prime yields: stability in Paris and La Défense, gradual flattening of the curve in Lyon

After the sharp increase in prime yields in 2022 and 2023, a direct consequence of price adjustments in response to the rapid rise in ECB key interest rates, an initial reversal was recorded at the end of 2024 with a 10-basis point decrease in prime yields for offices. This slight decrease came amid a more favourable monetary context, marked by the start of a cycle of easing by major central banks, beginning with the ECB.

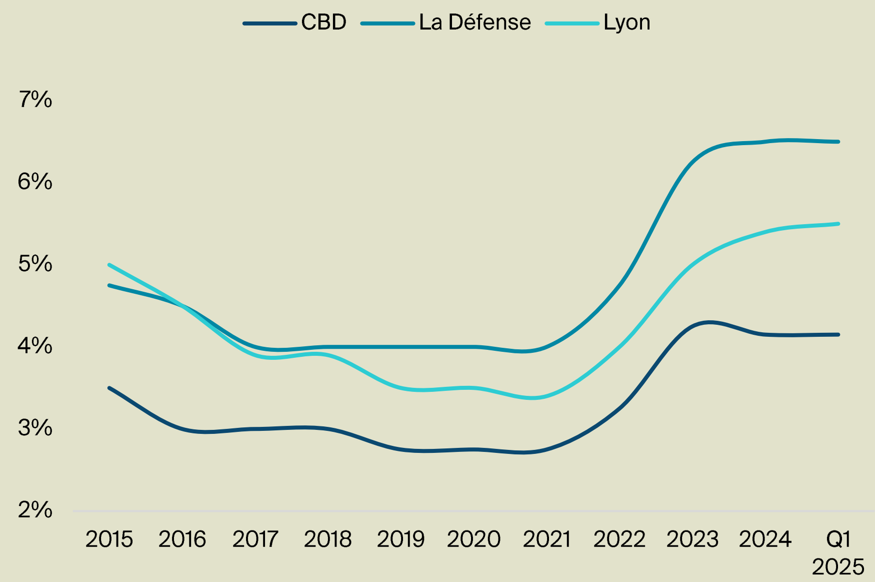
However, several factors continue to hold back a genuine easing, preventing a sustained decrease in long-term rates, particularly the 10-year OAT rate in France, which is essential for a significant contraction in prime yields.

As a result, despite real estate fundamentals that are generally favourable to a compression of prime yields for offices in the Paris CBD, their trend remains dependent on the trajectory of bond yields and the stabilisation of the macro-financial environment.

In this still uncertainty-ridden context, we are forecasting that the prime yield will stabilise at the end of the first quarter of 2025, within a range of 4% to 4.25%. Stabilisation is also being seen in La Défense, at 6.50%, while in Lyon (5.50%) a plateau seems to have been reached.

	One-year change	10-year change
PARIS CBD	▼ -10 bps	▲ +15 bps
LA DÉFENSE	▲ +25 bps	▲ +100 bps
LYON	▲ +40 bps	▼ -35 bps

Prime office yields in France
As a %, at the end of the period



Source : Knight Frank

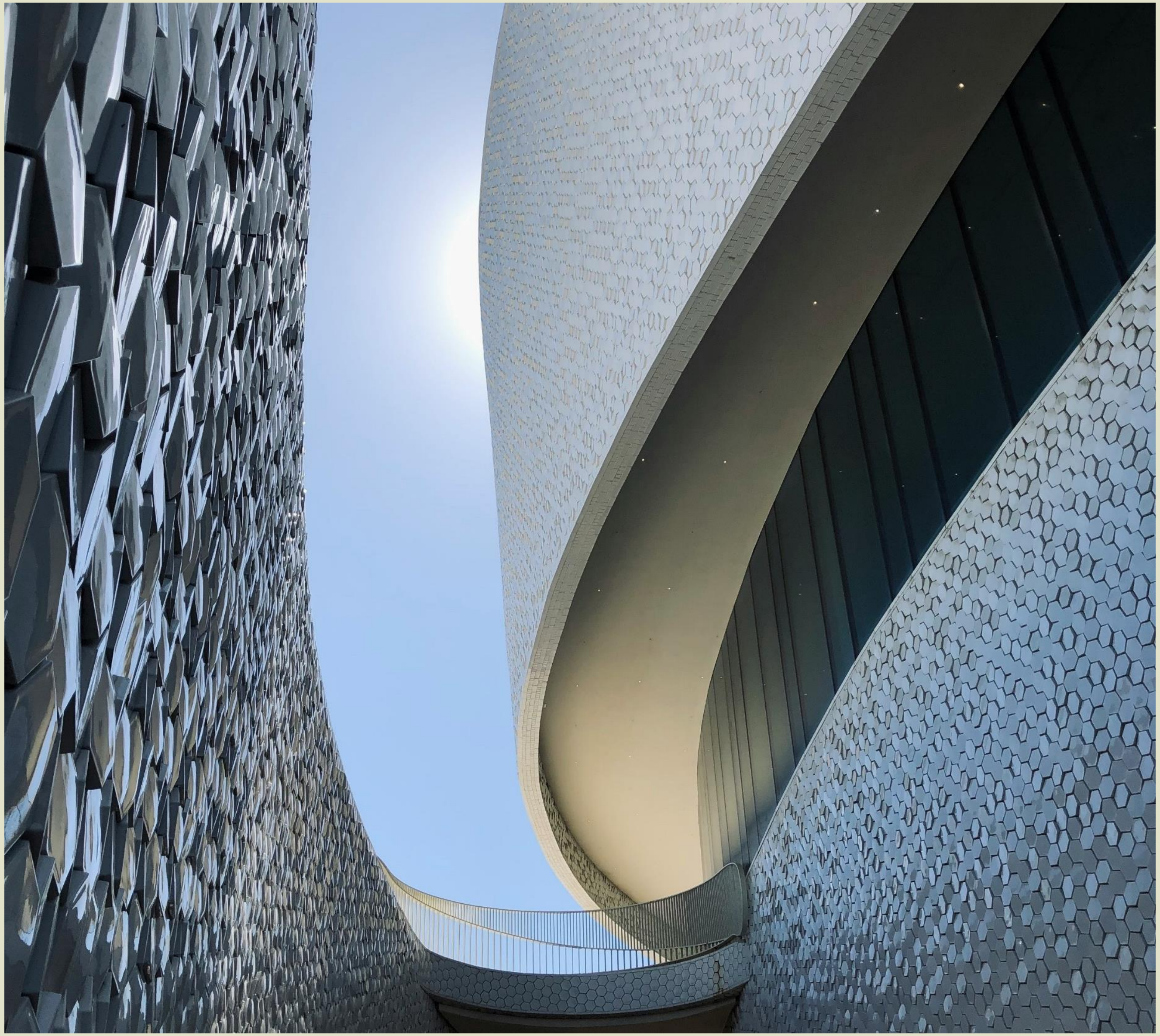
Significant office transactions in 2025

Address / Asset	City	Seller	Buyer	Price
Tour Trinity (80% of the asset)	La Défense	UNIBAIL RODAMCO WESTFIELD	NBIM	
Square d'Orléans	Paris 9th	BNP PARIBAS REIM	BAUMONT / PICTURE	
280-282 boulevard Saint-Germain	Paris 7th	AEW for CNP ASSURANCES	INDSTONE CAPITAL	
2-4 rue Louis David	Paris 16th	TERREIS / IMMOVALOR	CBRE IM	
19-21 rue Dumont d'Urville	Paris 16th	PRINCIPAL REAL ESTATE	CARDIF	
22 avenue Matignon	Paris 8th	Confidential	Confidential	
Front de Paris	Levallois-Perret (92)	PRINCIPAL REAL ESTATE	UNIBAIL-RODAMCO-WESTFIELD	
23 rue Taitbout	Paris 9th	AEW	HESTIA IM	

€30-100M €100-200M > €200M

Source : Knight Frank

03. Retail



Key figures for the retail property investment market

	Q1 2025	Q1 2024	Annual change
Retail property investment volumes in France	€1.3 B	€0.5 B	↑
Share of retail*	38 %	30 %	↑
Number of transactions > €100 M	*2*	*1*	↑
Share of volumes invested in the Greater Paris Region**	81 %	70 %	↑
Share of foreign investors**	*3 %*	*0 %*	↑
High streets prime yield	4.25 % - 4.50 %	4.50 % - 4.75 %	↓
Shopping centres prime yield	6.00 % - 6.25 %	6.25 % - 6.50 %	↓
Retail parks prime yield	6.50 % - 6.75 %	6.50 % - 6.75 %	=

**Share expressed as a percentage of total volumes invested in France, all asset types combined – excluding non-divisible portfolios.*
***Share expressed as a percentage of total volumes invested in France, in retail.*

Source : Knight Frank

Retail:
Market driven by two large transactions in Paris

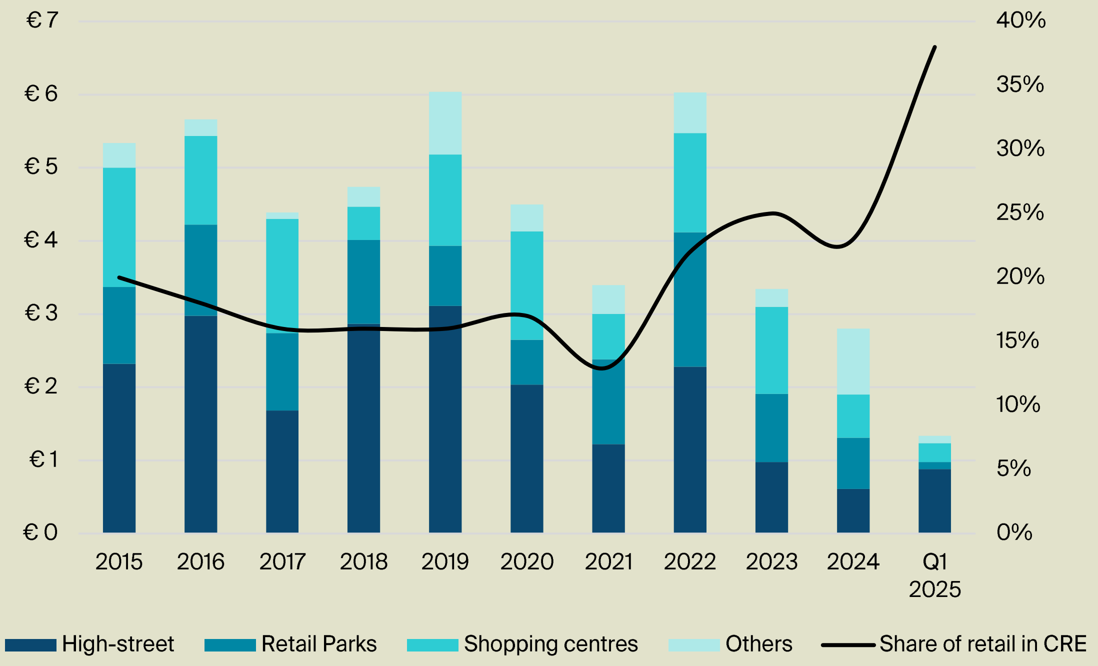
Retail property has definitively turned the page on the 'retail bashing' trend that marked the past decade, attracting nearly 25% of commercial real estate investment volumes in 2024. This momentum continued into early 2025: with €1.3 billion invested, the sector has significantly outperformed the first quarter of 2024 (€500 million), accounting for nearly 40% of the total amount invested in commercial real estate.

This surge is largely driven by an exceptional transaction: ARDIAN's acquisition of a 60% stake in a portfolio of iconic Parisian properties (26 Place Vendôme, 35-37 avenue Montaigne and 56 avenue Montaigne) for approximately €840 million. This is the largest transaction recorded in the French retail property market since the one carried out by LVMH in 2022, which involved a Parisian portfolio of mixed-use properties mainly comprising offices, for approximately €900 million.

In terms of retail property alone, you have to go back to 2014 to find a transaction of this scale. That year, three separate shopping centre portfolios changed hands for between €850 million and €1.4 billion.
In addition to this exceptional transaction, CDC Investissement Immobilier acquired a 15% stake in the Westfield Forum des Halles shopping centre for €235 million.

Despite these strong signals, overall activity in the retail market is still struggling to pick up pace. The second quarter looks set to be relatively quiet, with few major transactions currently being finalised.

French retail property investment volumes
In billions of euros, as a % of total CRE volume



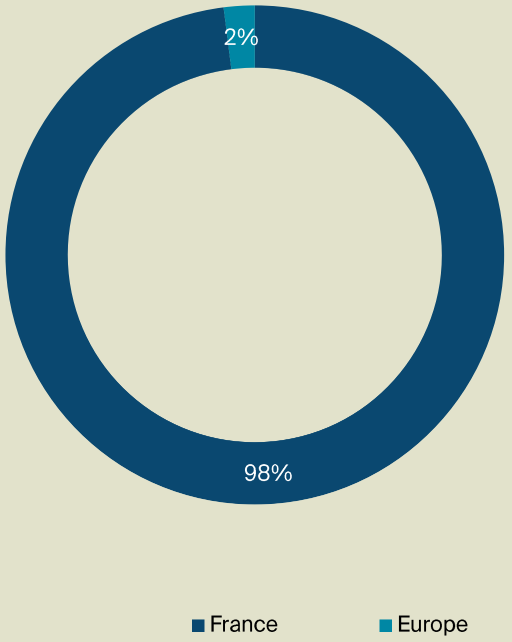
Source : Knight Frank

Domestic funds driving the market

As in 2024, the retail property investment market in the first quarter of 2025 remains largely driven by domestic players. Two investors, ARDIAN and CDC INVESTISSEMENT IMMOBILIER, stand out clearly and accounted for nearly 80% of the volume invested thanks to their landmark transactions.

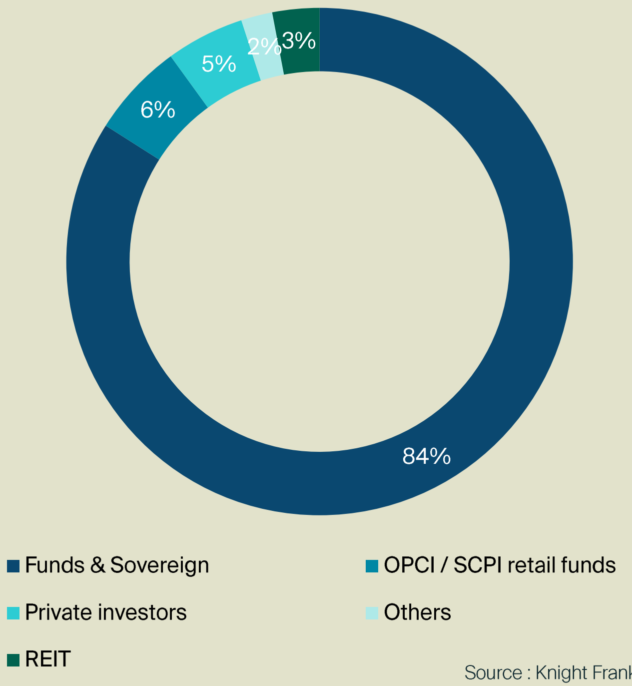
At the same time, other investors mainly focused on smaller deals worth less than €50 million. Among them, "neo-SCPIs" stood out for their dynamism, with around 15 acquisitions recorded over the period. These transactions, which were relatively small in size, all involved assets located in the regions and covered a diverse range of property types, including high street shops, retail parks and restaurant industry properties.

Breakdown of investment volumes in retail property
As a % in Q1 2025, by geographical origin



Source : Knight Frank

Breakdown of investment volumes in retail property
As a % in Q1 2025, by investor type



Source : Knight Frank

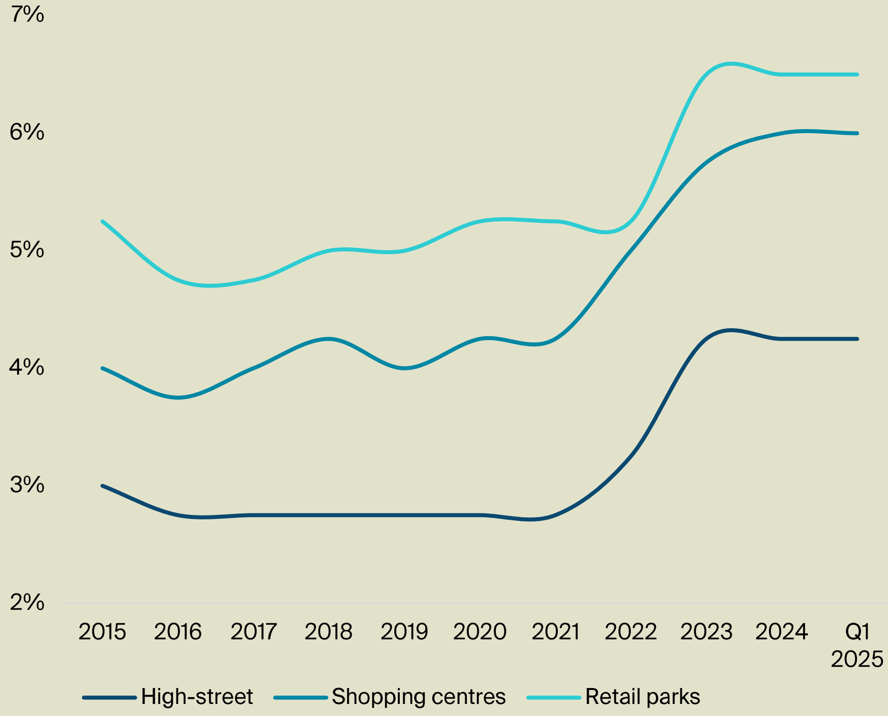
Prime yields stabilising

The increase in prime yields began earlier for retail than for other asset classes, intensifying between 2022 and 2023. In 2024, this trend moderated significantly, indicating that the market had largely absorbed the correction in values, against a backdrop of gradual monetary policy easing.

Whilst prime yields remained relatively contained for assets in the most sought-after locations in Paris, the past revaluation of suburban retail parks and shopping centres has revived investor interest in these sectors. This development could even mark the beginning of a slight compression in yields for the highest-quality assets in the coming months, if the financial and macroeconomic environment allows it.

	One-year change	10-year change
RETAIL PARKS	=	▲ +125 bps
SHOPPING CENTRES	▲ +25 bps	▲ +150 bps
HIGH STREET	=	▲ +75 bps

Prime retail yields in France
As a %, at the end of the period



Source : Knight Frank

Significant retail transactions in 2025

Address / Asset	Type	City	Seller	Buyer	Price
Portfolio of Paris assets (60% of shares)	HS	Paris	KERING	ARDIAN	
Westfield Forum des Halles (15% of shares)	SC	Paris 1st	UNIBAIL RODAMCO WESTFIELD	CDC INVESTISSEMENT IMMOBILIER	
Portfolio (9 Carrefour Markets)	HYP/SUP	France	CARREFOUR	SUPERMARKET INCOME REIT	
Portfolio (9 locations at the entrance to towns)	HYP/SUP	France	GROUPE CASINO	ICADE	

26 Place Vendôme, Paris 1st
Asset forming part of the portfolio bought by ARDIAN

€30-100M   €100-200M   > €200M

CC Westfield Forum des Halles, Paris 1st

Source : Knight Frank

04. Industrial

Key figures for the industrial property investment market

	Q1 2025	Q1 2024	Annual change
Industrial property investment volumes in France	€0.6 B	€0.6 B	=
Share of industrial*	19 %	39 %	▼
Number of transactions > €100 M	*1*	*2*	▼
Share of volumes invested in portfolios**	12 %	23 %	▼
Share of foreign investors**	62 %	80 %	▼
Prime logistics yield	*4.75 % - 5.00 %*	*4.75 % - 5.00 %*	=
Prime light industrial yield	*6.00 % - 6.25 %*	*6.00 % - 6.25 %*	=

**Share expressed as a percentage of total volumes invested in France, all asset types combined – excluding non-divisible portfolios.*
***Share expressed as a percentage of total volumes invested in France, in industrial.*

Source : Knight Frank

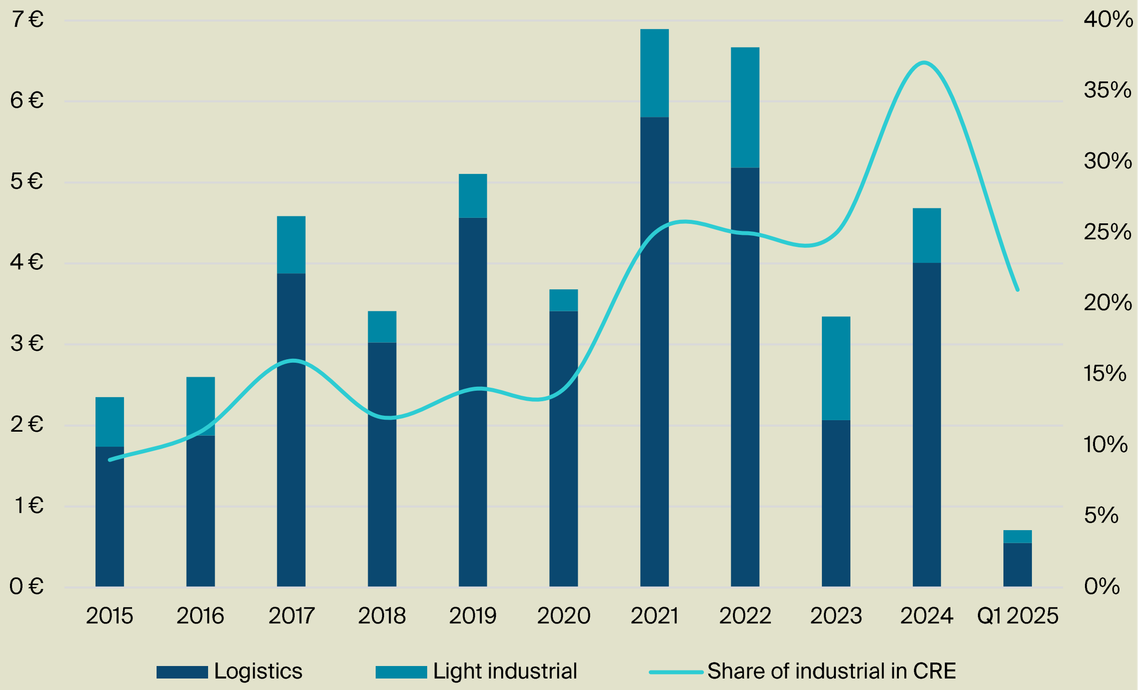
Industrial property: awaiting portfolios at the start of the year

With €700 million invested in the first quarter of 2025, the industrial property market remained relatively stable compared with the same period in 2024, and up 25% compared with the first quarter of 2023. These two financial years closed with volumes of €4.7 billion and €3.3 billion respectively, with a steady increase in investment over the quarters. The start of 2025 is continuing in the same vein, although the absence of large portfolios changing hands is limiting volumes in both the logistics warehouse and light industrial premises sectors.

In the logistics category, the €550 million invested did not include any large portfolios. Only one transaction exceeded the €100 million threshold: the acquisition by TRISTAN CAPITAL PARTNERS of a forward-funding sale of a warehouse with a pre-leasing agreement in Dourges, in the Pas-de-Calais region.

In light industrial premises category, the market remained subdued at the start of the year, with €150 million invested and no large transactions to report. However, PROUDREED acquired a portfolio of five business parks spread across France for slightly more than €40 million. Institutional investors remain generally keen to invest in industrial real estate, if quality opportunities arise. The assets and portfolios currently on the market should help to fuel the volumes invested over the coming months, enabling the industrial sector to maintain a significant share of around 25% of total corporate real estate investment.

French industrial property investment volumes
In billions of euros, as a % of CRE volume



Source : Knight Frank

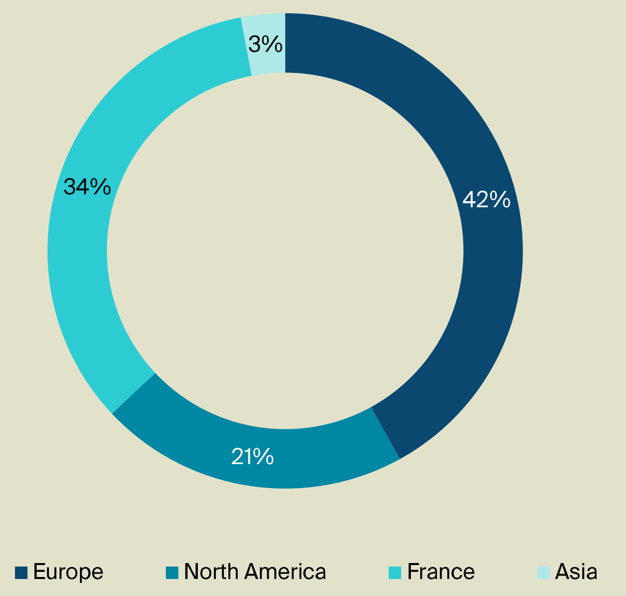
North American investors relatively quiet at the start of the year

In 2024, foreign investors significantly strengthened their presence in the French industrial property market, accounting for 80% of investment volumes. Although this share fell slightly at the beginning of 2025 to 66%, the underlying momentum remains strong. The sector's appeal can be explained by several factors: the resilience of the French economy, the quality of its infrastructure (particularly its motorway network) and the prospects for rental growth, which point to attractive opportunities for value creation.

The only transaction to exceed €100 million during the quarter illustrates this trend, having been carried out by an international investor. TRISTAN CAPITAL PARTNERS acquired a warehouse in the Hauts-de-France region as a forward-funding sale with a pre-leasing agreement, with 50% of the space already pre-let to PEPSICO.

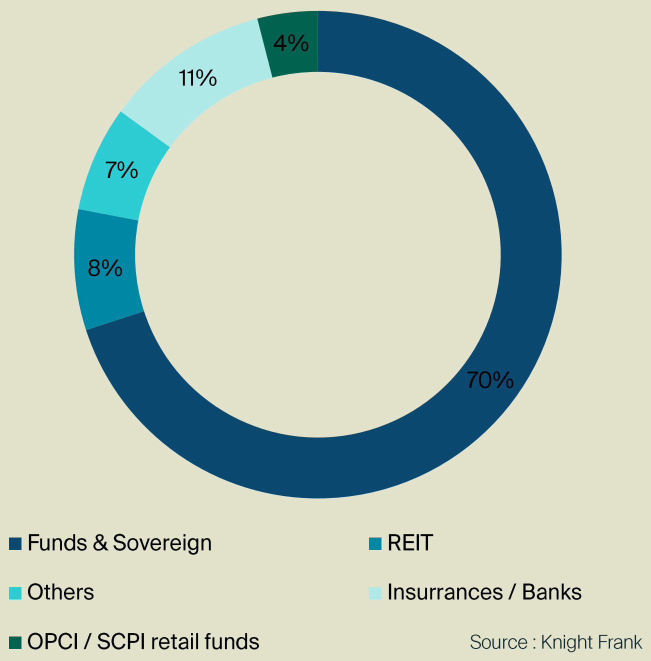
In line with the previous year, SCPIs remain relatively inactive in this market sector, limiting their commitments to amounts of less than €30 million per transaction. With fundraising remaining modest, these investment vehicles do not yet have the necessary resources to target large-scale acquisitions.

Industrial property investment volumes by nationality
In France, in Q1 2025, as a % of total volume



Source : Knight Frank

Industrial property investment volumes by investor type
In France, in Q1 2025, as a % of total volume



Source : Knight Frank

Prime yields:
logistics and light industrial stable

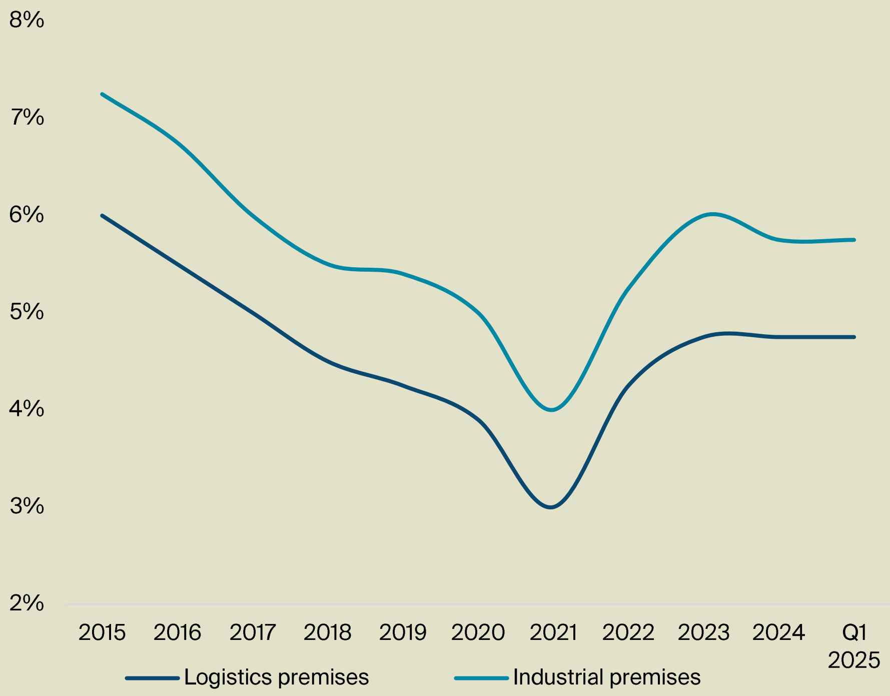
After a sharp correction in 2022, followed by a further rise in prime yields in industrial real estate in 2023, the market appears to have found a balance since the beginning of 2024.

The majority of completed transactions, as well as the main negotiations underway for amounts exceeding €100 million, are at a yield of around 5%. However, the most sought-after assets, particularly those offering strong rental growth potential, continue to trade below this level.

At the same time, prime yields for high-end light industrial premises, ideally located in the Greater Paris Region and the Lyon area, have compressed slightly over the past 18 months, reflecting renewed investor interest in this type of property.

	One-year change	10-year change
LOGISTICS	=	▼ -200 bps
LIGHT INDUSTRIAL	▼ -10 bps	▼ -225 bps

Prime yields for industrial assets in France
As a %, at the end of the period



Source : Knight Frank

Significant industrial transactions in 2025

Address / Asset	Type	City	Seller	Buyer	Price
Forward-funding sale with a pre-leasing agreement for 50% to PepsiCo	LOG	Dourges (62)	DELTA 3	TRISTAN CAPITAL PARTNERS	
ZAC de l'Aéroparc	LOG	Fontaine (90)	VAILOG	CLARION PARTNERS EUROPE	
Portfolio of 5 business parks	LI	France	AXTOM	PROUDREED	
ZAC Parisud	LOG	Combs-la-Ville (77)	LOGICOR	FIDELITY INTERNATIONAL	
Forward funding sale with pre-leasing agreement on all the space	LOG	Grand Ouest	Conf.	AVIVA INVESTORS	

Forward-funding sale in Dourges (62)

€30-100M €100-200M > €200M

ZAC de l'Aéroparc, Fontaine (90)

Source : Knight Frank

05. Living sector, hotels & healthcare

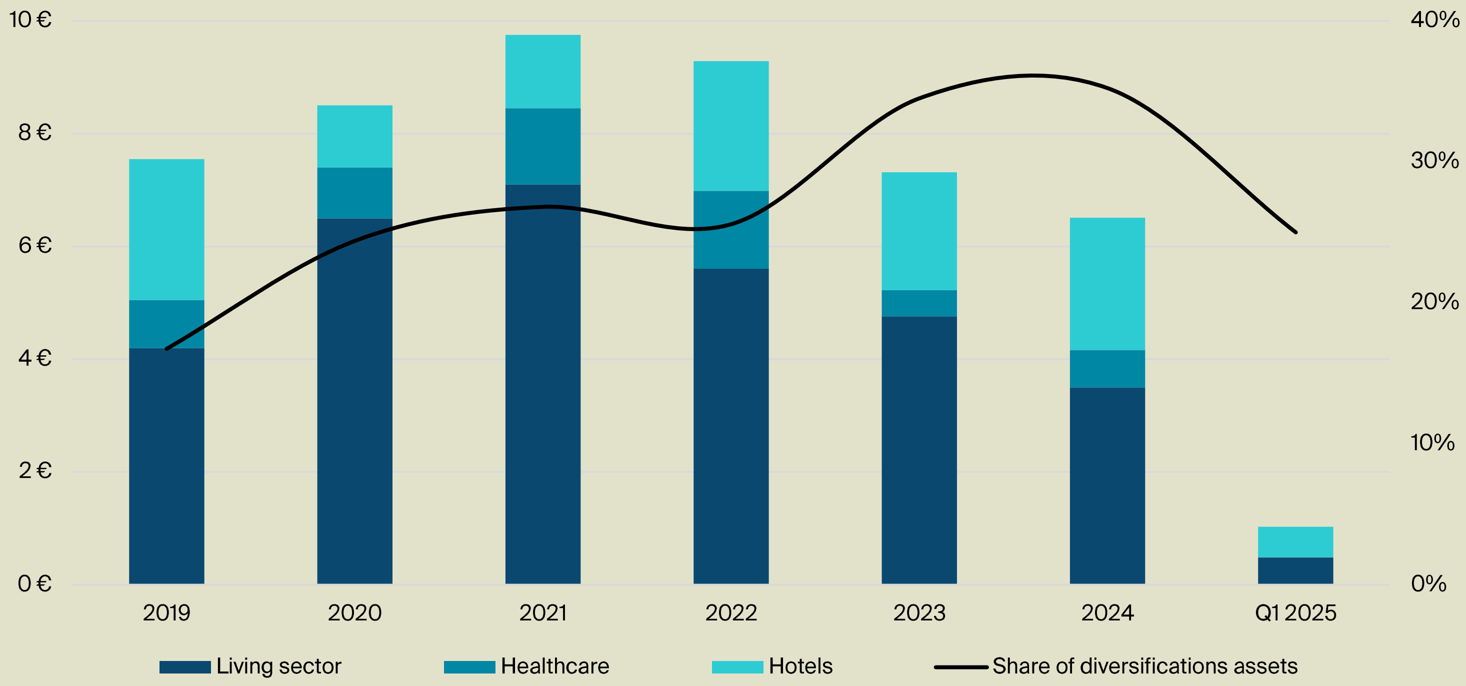
Residential volumes remained steady in the 1st quarter, but large transactions were initiated

Investment in residential property in France totalled €3.5 billion in 2024, marking a drop of more than 25% compared with the previous year. In the first quarter of 2025, transactions totalled approximately €500 million in this sector. After a period of caution linked to the start of the rate hike cycle, investors are now particularly attentive and responsive to each residential product launched on the market. The moderation in volumes observed in recent quarters is largely due to the absence of large portfolios. However, these are expected to return during the year, with several major deals already in the pipeline, involving both traditional residential and managed assets.

The hotel market continues to perform well, with more than €500 million invested in the first three months of the year, having exceeded €2 billion in each of the last three years. This type of asset benefits both from the excellent shape of tourism in France and from the tax advantages offered to certain investors, notably through the 150-0 B Ter scheme.

French investment volumes in diversification assets

In billions of euros



Source : Knight Frank

06. Outlook

Outlook

1 Market rebound in 2025

Following on from a promising first quarter, the commercial real estate investment market is expected to rebound significantly in 2025, with volumes estimated at between €14 billion and €15 billion.

This recovery is based on several concurrent factors that are encouraging renewed activity among both buyers and sellers. These factors include the restoration of confidence in the French economy, supported by a gradual stabilisation of the national political situation and the ECB's accommodative monetary policy, which should encourage a gradual return of core capital.

However, geopolitical and economic uncertainties linked to Donald Trump's radical stance could disrupt international capital flows and slow down the recovery.

2 Diversification

As the property market enters a new cycle, investors continue to diversify their portfolios, taking into account changes in lifestyles, economic sectors and demographic trends. In the commercial real estate, commitments are now more balanced than they have been over the past decade, between retail, industrial and retail assets.

Alternative assets are attracting growing interest, although market depth remains limited. The residential sector, although heavily influenced by the availability of large portfolios, should continue to mature, thanks in particular to flagship managed residential projects spread throughout the country. At the same time, the hotel market is maintaining its positive momentum that began in 2022.

3 Offices yes, but...

The office property sector now seems to be reaching a turning point, having been on the front line of criticism since the Covid-19 pandemic and the resulting societal changes. The uncertainties that prevailed until recently are gradually fading, giving way to new indicators in the lettings market.
Although the economic situation is still far from ideal, certain trends are becoming apparent and offer new benchmarks for investors. These include the undeniable appeal of Paris' Central Business District (CBD) and surrounding areas, the improvement in the lettings market in La Défense, and growing awareness among elected officials of the need to rethink office stock in the face of high structural vacancy rates.

In this clearer rental market context, investors should be able to plan more confidently for the acquisition of office assets.

SOURCE : Knight Frank

The Knight Frank Research department

offers market analysis and strategic property consultancy services for a wide range of French and international clients, including private investors, institutions and users.

The data used for this study comes from sources widely recognised for their accuracy, as well as from Knight Frank property market monitoring tools.

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The French property markets | 2024 review & 2025 outlook | January 2025

Alpine Property Report 2025 | January 2025

The datacentre market| France | November 2024

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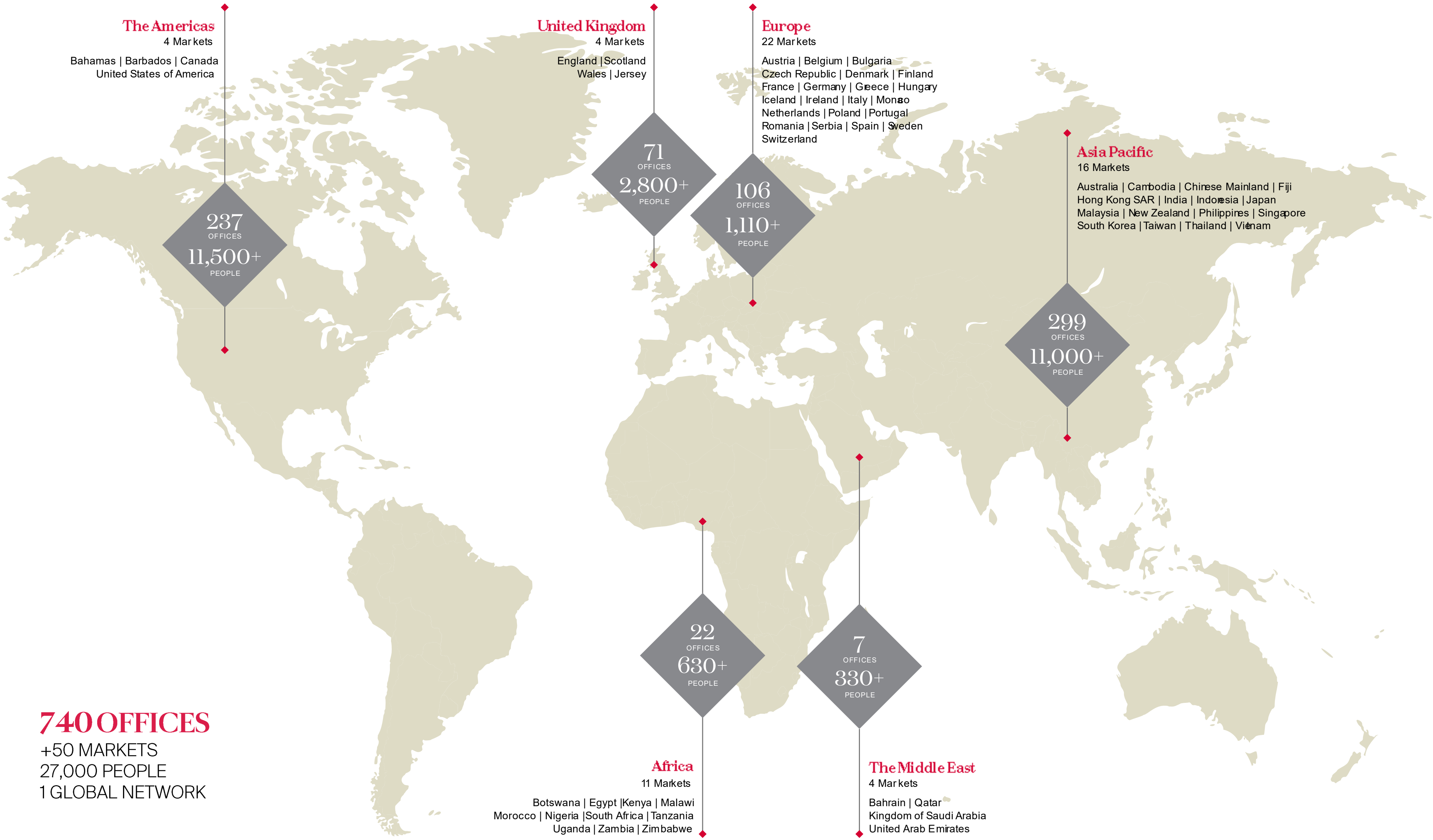
Knight Frank
at a glance

Founded over 125 years ago in Great Britain, the Knight Frank group today provides its expertise as an international property consultancy with over 27,000 people working from more than 740 offices in 50 countries. Its French branch, established over 50 years ago, operates in the corporate and residential real estate markets.

With more than 100 people working out of Paris, Knight Frank France is structured around five service lines: office marketing and occupier advice (Occupier & Landlord Strategy and Solutions), workplace design (Design & Delivery), investment (Capital Markets), retail leasing and valuation with its subsidiary Knight Frank Valuation & Advisory.



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