

Over the past decade, Europe has endured repeated periods of disruption, from Brexit and sovereign debt crises to the war in Ukraine, energy shocks, a global pandemic, and rising political polarisation. Against that backdrop, one of our core disciplines has remained unchanged: separating the signal from the noise. This has not been a straightforward exercise. Recovery has seen several false starts, when liquidity seemed to return and confidence began to build, only to be derailed by fresh policy shocks or macro crosscurrents. 2025 was marked by ongoing volatility, yet as 2026 begins, there are clear signs supporting a more cautiously optimistic outlook. Capital is gradually returning to the market and both economic and property fundamentals have proven more resilient than expected amid recent turbulence.

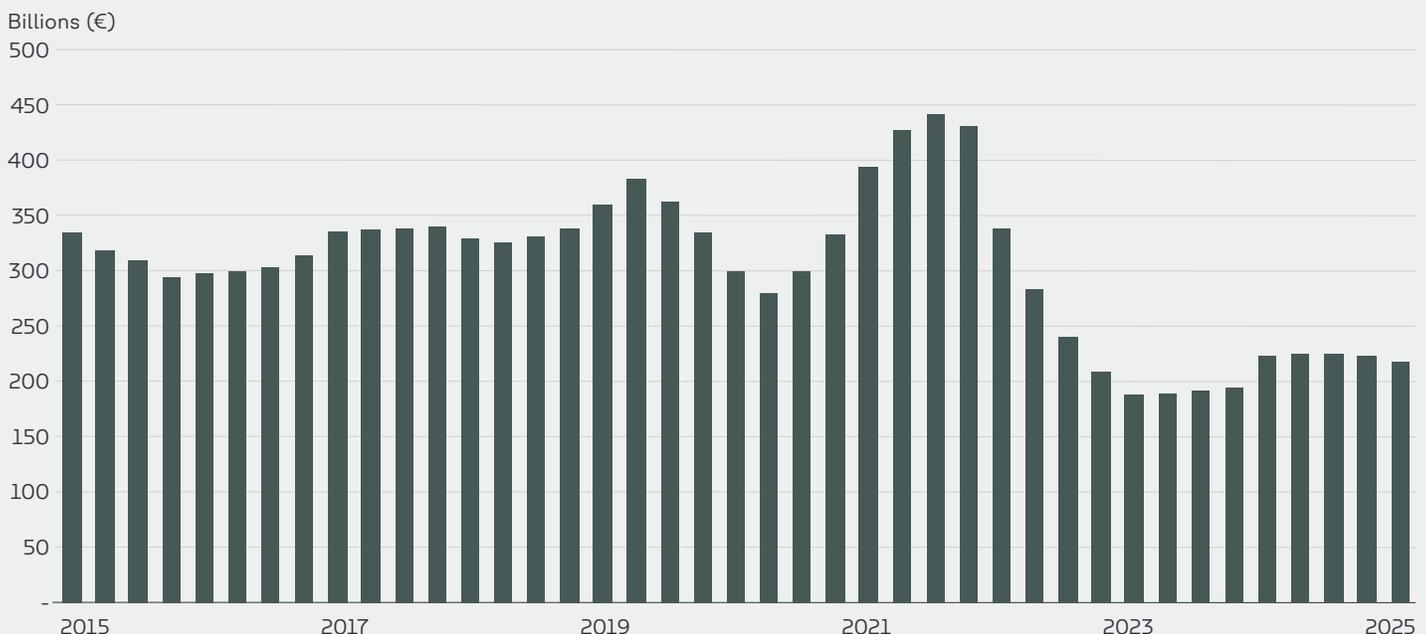
### ECONOMIC CONDITIONS

- European growth remains modest but stable, supported by strong labour markets and resilient consumption.
- Despite elevated uncertainty, business and consumer sentiment remains relatively resilient.
- Europe's shift toward expansionary fiscal policy is providing a cyclical and structural tailwind to economic activity.

### CRE MARKET CONDITIONS

- The European CRE market continues to show signs of recovery, though capital deployment remains cautious and focused on markets and assets with resilient fundamentals rather than a broad-based return to risk.
- Following a sharp correction in asset values, valuations have adjusted materially, helping to establish a firmer platform for recovery.
- Strengthening total returns, driven by stabilising capital values, easing borrowing costs, and solid rental growth in supply-constrained sectors, are creating what investors may view as attractive long-term opportunities.

EUROPEAN COMMERCIAL REAL ESTATE TRANSACTION VOLUMES (12-MONTH ROLLING € BILLIONS)



Source: MSCI Real Assets, Q4 2025

## COMMERCIAL REAL ESTATE OPPORTUNITIES AND STRATEGIES

1. Our conviction around the **intersection of real estate and technology** has grown even stronger.

2. Reduced development activity is tightening supply in **logistics** and **housing**, while demand remains resilient across most sectors, led by record **data centre** absorption.

3. Regulatory measures, compounded by recent economic volatility and policy uncertainty, have significantly constrained traditional sources of CRE debt capital. This is presenting a **strategic opportunity for debt funds** to leverage market dynamics and address capital shortfalls.

### LOGISTICS

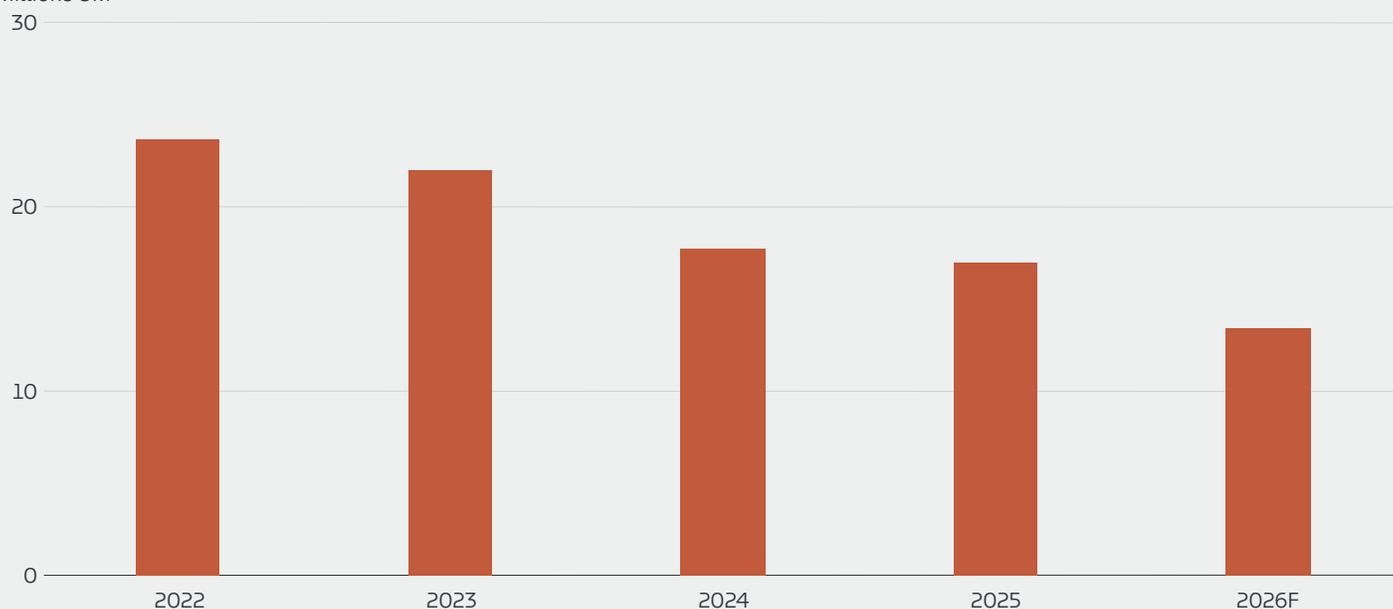
Across Europe, supply constraints, including tight planning regimes, limited power availability, competing land uses, and materially lower warehouse space per capita than the U.S., are intensifying scarcity of modern logistics assets. These constraints amplify the value of deliverable land and well-located, high-quality stock, creating a persistent structural imbalance that underscores the long-term growth opportunity for high-quality logistics assets in Europe.

- Logistics leasing slowed in 2025 as trade policy uncertainty delayed occupier decisions, but this hesitation points to latent demand with rebound potential as conditions stabilise.
- In an increasingly turbulent geopolitical environment, logistics assets are likely to gain renewed importance as critical enablers of supply chain security.
- Our **RESEARCH** highlights several longer-term trends supporting the sector, including technological innovation, defence-related demand, and supply-chain regionalisation.
- Construction starts remain low, with 2026 deliveries projected to decline by 40% on average from the 2022 peak and by more than 60% in some markets. With new supply tightening, the availability of such space is likely to fall short of evolving demand.<sup>1</sup>
- This environment is particularly supportive of modern, Class A industrial assets. Our **RESEARCH** shows that newer, well-located facilities consistently outperform in the early stages of real estate recoveries.

Since 2014, Affinius Capital has invested in European logistics, mainly through development. Alongside our wholly owned affiliate Mountpark, we are well-positioned to deliver premier logistics development projects throughout the U.K. and Europe. Affiliates such as Mountpark allow us to unlock unique opportunities and execute on higher-returning developments. Our strategically located network of logistics projects currently spans six countries, providing access across Europe's major supply-chain corridors.

### EUROPEAN LOGISTICS COMPLETIONS

Millions SM



Source: CBRE, Q4 2025

1. CBRE, Q4 2025

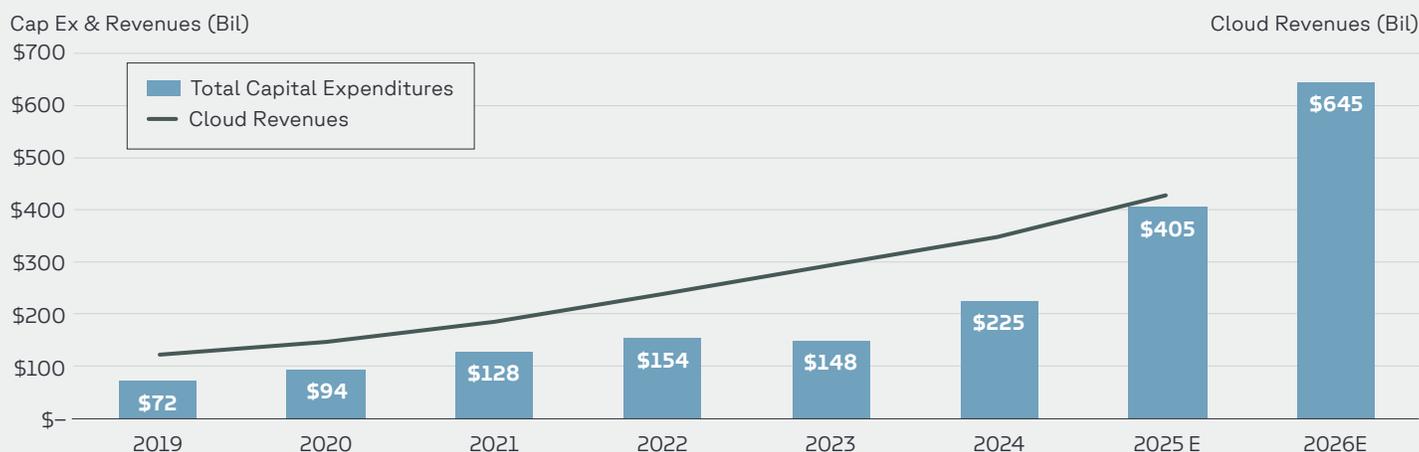
## DATA CENTRES

Data centres and digital infrastructure are increasingly recognised as essential to Europe's digital strategy and long-term competitiveness. For the second consecutive year, data centres ranked as the most favoured sector in Europe in the ULI Emerging Trends in Europe report.<sup>2</sup> The sector is rapidly evolving from a niche play to a mainstream asset class, driven by a growing pool of investors, managers, and developers eager to participate in this structural growth story.

- European data centre demand is set to more than triple by 2030, driving \$250–300bn of required investment in digital infrastructure.<sup>3</sup>
- Hyperscaler capital expenditures reached \$395 billion in 2025, a 76% YoY increase, as companies expand digital infrastructure for AI-driven growth.
- Power is the binding constraint: grid connection wait times of 2–10 years (7–10 years in primary hubs) have pushed vacancy below 1% and strengthened pricing power for powered sites.<sup>4</sup>
- Growth is shifting to secondary markets, with cities such as Madrid, Milan, Berlin and Stockholm rapidly scaling as primary hubs face acute land and power constraints.

Data centre development exemplifies Affinius Capital's investment philosophy: identifying sectors where technology is fundamentally reshaping demand for physical infrastructure. Together with our affiliate Corscale,<sup>5</sup> we operate a vertically integrated platform controlling the entire development and investment process, from site selection and design through construction, leasing, capital markets and asset management.

## HYPERSCALER CLOUD REVENUES AND CAPITAL EXPENDITURES TREND



Source: Company Filings, Bank of America, Affinius Capital Research

## REAL ESTATE LENDING

Real estate lending has evolved beyond a cyclical play to become a core component of portfolio construction, offering durable income, capital preservation, and attractive risk-adjusted returns in a market still working toward equilibrium. Global allocations towards real estate debt funds reached €442 billion in 2025, more than doubling over the past five years.<sup>6</sup>

- Lending for real estate in Europe has typically been the domain of banks, life insurance companies, and some pension funds. However, regulatory changes have significantly constrained traditional lenders' appetite and ability to deploy balance sheet capital at scale, most notably for value add and development lending.
- This has created an opportunity for non-bank lenders to capitalize on this market need while working with banks and life insurance companies that receive better regulatory treatment by providing the senior back leverage to the non-bank lenders.
- Non-bank market share varies significantly across regions, partly due to differences in regulatory frameworks that shape traditional banks' capacity and risk appetite for CRE lending.

Relative to the U.S. and U.K., Europe remains notably behind this trend. While the European real estate debt market remains dominated by banks, increasing regulatory pressures have already started to lead to a change.

2. ULI. Emerging Trends in Real Estate Europe 2026

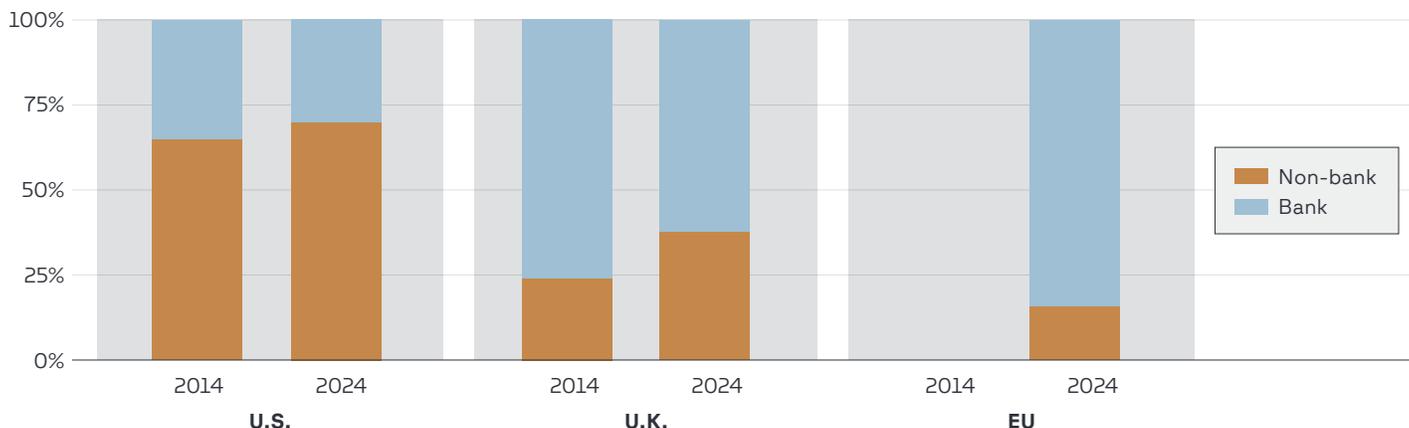
3. McKinsey. The role of power in unlocking the European AI revolution. 24 October 2024

4. International Energy Agency. Overcoming energy constraints is key to delivering on Europe's data centre goals. 16 November 2025. Note: FLAP-D includes Frankfurt, London, Amsterdam, Paris & Dublin

5. Corscale, LLC and Patrinely Group, LLC are subsidiaries of the same parent company, Crimson Interests, LLC. Affinius Capital owns a minority interest in Crimson Interests, LLC. Another company controlled by certain owners of Affinius Capital has a separate ownership interest, and combined, these companies own a majority interest in Crimson Interests, LLC. Please see Part 2A of Affinius Capital Advisors Form ADV for more information

6. INREV. Debt Vehicles Universe 2025

## NON-BANK VS. BANK % OF LENDING BY REGION



Source: Real Capital Analytics, Bayes Business School Commercial Real Estate Lending Report, European CRE Lending Report 2025, U.S. Federal Reserve Flow of Funds Q3 2025, Affinius Capital Research. Note: No data available for Europe in 2014

### HOUSING

Europe is grappling with a shortage of housing due to a lack of funding, lengthy planning procedures, and rising demand. Strong growth in household formation and shifting demographics, including ageing populations and more single-person households, has led to an increased need for housing. With mortgage affordability under pressure, particularly for first time buyers, demand for the private rented sector is expected to continue increasing.

- We see attractive opportunities to develop institutional-quality multifamily housing in select European markets, particularly the U.K., supported by strong demographics and structural supply shortages.
- Chronic under-delivery of housing, rising prices, and higher mortgage rates are extending renter demand, creating a compelling case for purpose-built rental housing, where we can leverage our U.S. multifamily expertise.
- The U.K. BTR sector remains relatively small, with just 139,000 completed homes – only a fraction of the private rental market, which comprises approximately 4.4 million households.<sup>7</sup>
- Delays at the Building Safety Regulator, rising construction costs, and economic uncertainty are slowing delivery, with construction starts down 70% versus 2022.<sup>8</sup> These viability pressures are further constraining supply and supporting rental growth.

Despite these headwinds, residential remains the most favoured mainstream real estate segment amongst investors.<sup>9</sup> As the sector continues to evolve, we expect a range of housing formats to gain traction as investors seek to meet growing renter demand.

### U.K. BTR STARTS DOWN 70% SINCE 2022 PEAK

BTR starts (annual rolling)



Source: Savills, Affinius Capital Research Q4 2025

7. Savills. U.K. Build to Rent Market Update Q3 2025 and English Housing Survey 2024-25

8. Savills Q4 2025

9. ULI. Emerging Trends in Real Estate Europe 2026

Periods of volatility and the beginning of recovery cycles have consistently proven to be catalysts for some of the most compelling investment opportunities. Europe is well positioned to play a leading role in the global rebound, presenting investors with a unique window to capture performance by focusing on sectors where supply constraints and strong fundamentals can drive meaningful rental growth.



KAREN  
MARTINUS

Senior Vice President,  
Research and Investments

[karen.martinus](mailto:karen.martinus@affiniuscapital.com)  
[@affiniuscapital.com](https://www.affiniuscapital.com)

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WTC Amsterdam, H-Tower,  
Zuidplein 94, 1077 XV Amsterdam,  
The Netherlands  
+31(0)20 235 17 00  
[affiniuscapital.com](https://www.affiniuscapital.com)