REPORT

GRI GLOBAL CHAIRMEN'S RETREAT 2025

Q1 2025

Exclusive insights from the world's leading real estate decision-makers at GRI Club's most senior annual gathering

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GRI Club

REPORT

INTERACTIVE TITLES

The GRI Chairmen's Retreat, a cornerstone event for the global real estate market, once again offered invaluable insights not only into the industry's current state and future trajectory, but also the wider global context.

This year's discussions reflected cautious optimism for the short term, with over half of participants expressing confidence in the next 12 months. However, the long-term outlook raised more complex questions, as geopolitical tensions and economic uncertainties, including inflation and rising interest rates, emerged as key concerns.

Major international events, such as the beginning of the second Trump presidency, were viewed more as potential opportunities rather than direct threats, though the sector remains vigilant in managing the effects on portfolio strategies.

As the global real estate landscape evolves, the discussions at this year's retreat underscored the importance of adapting to challenges while seizing opportunities, ensuring industry leaders are well-positioned for whatever is next on the horizon.

Enjoy reading!

HENRI ALSTER
Chairman
GRI Club

GUSTAVO FAVARON
CEO & Managing Partner
GRI Club

INTRODUCTION

Since 1998, GRI Club's exclusive networking events have been providing unique opportunities for the industry's decision makers to exchange valuable insights and experiences, igniting deal flow and potentialising the real estate market.

GRI Club reports present the key takeaways from these events, including the most valuable insights, the most ardent discussions, and the most intriguing strategies.

This report was compiled following 4 days of relaxed, private discussions, debates, and polling sessions at the **GRI Global Chairmen's Retreat 2025** in St. Moritz, Switzerland, featuring the world's leading voices in the real estate industry.

As GRI Club's most senior event, the annual retreat provides the opportunity for real estate decision-makers to assess the bigger picture of real estate, and ask: what's next?

CHECK OUT ALL THE PHOTOS FROM **GRI GLOBAL CHAIRMEN'S RETREAT 2025**

Photos: GRI Club

GEOPOLITICAL & MACROECONOMIC OUTLOOK
A NEW ERA OF GLOBAL POWER?

POST-WAR PEACE VS POPULISM

The current global landscape has exposed the stability experienced in the decades following World War II as something of an anomaly. The balance of power, institutional frameworks such as the UN, and the rise of liberal democracies contributed to this period of peace, but the situation has changed.

The manipulation of history has become increasingly central as a tool for shaping narratives, strategies, and decisions, with some leaders using historical accounts and precedents to justify actions and influence public opinion, appealing to nationalistic sentiments and encouraging ideological divisions.

Events like the Russian annexation of Crimea in 2014, the fresh outbreak of heavy fighting in the Middle East, and rising populism around the world reflect the emergence of a more fragmented and volatile environment. Smaller powers are increasingly asserting themselves, while the proliferation of nuclear capabilities raises risks on a global scale.

THE FUTURE OF DEMOCRACY

Democracies face unique challenges in this environment. While they remain adaptable and capable of transformation, their internal cohesion and ability to mobilise resources are critical to maintaining resilience.

In contrast, autocratic systems can execute bold strategies and take significant risks, but this often comes at the expense of global stability. Success for democracies depends on fostering unity, confidence, and leadership capable of addressing these multifaceted challenges.

The broader outlook for global systems suggests that while democracies may evolve and adapt, the characteristics of leadership needed for governance and crisis management must align with the demands of this new era.

To succeed in this new environment, a combination of adaptability, strategic foresight, and societal cohesion will be essential.

TRUMP'S IMPACT ON GLOBAL MARKETS

The impact of Trump's second presidency on property and broader economic trends remains inconclusive and unpredictable. While his rhetoric has been erratic, the implementation of policies and their long-term effects are still unclear.

US tariffs and any resulting trade wars could negatively impact both the EU - as a trade surplus bloc - and China, but no major military conflicts are anticipated. The US dollar remains dominant as both a global reserve currency and a driver of market growth, with no viable rivals or alternatives on the radar.

ECONOMIC POLICIES AND INFLATION

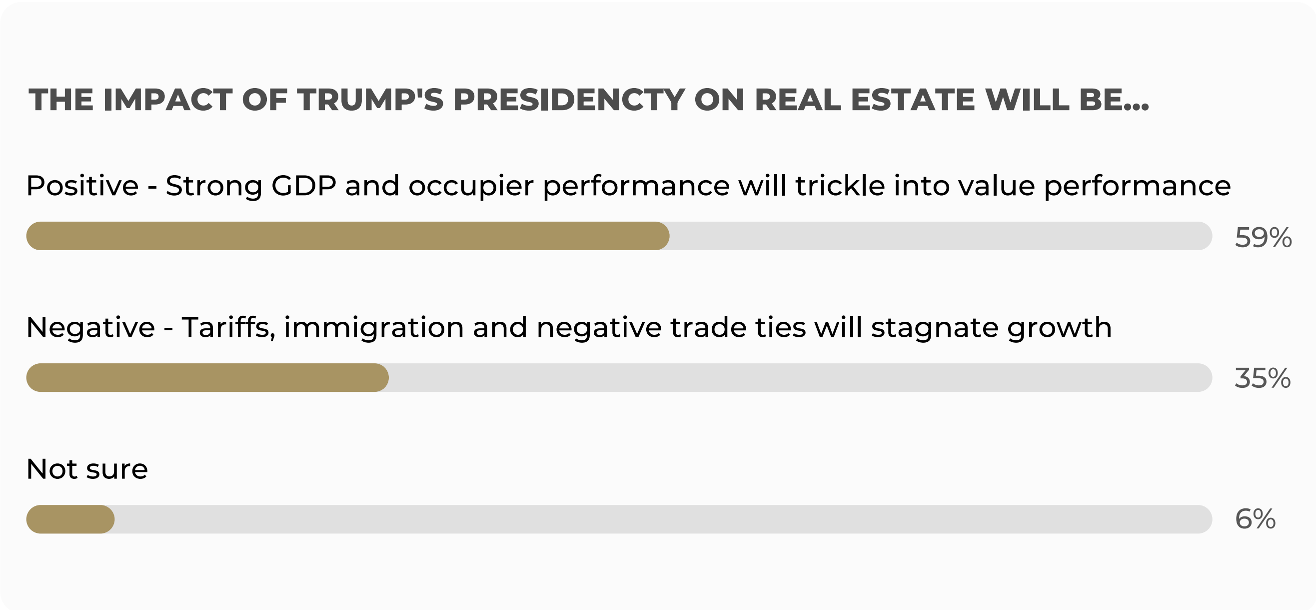
Trump's push for deregulation and expansionary economic policies in the US, including a flurry of executive orders on the first few days of his presidency, may influence Europe to adopt similar approaches, favouring capitalism and deregulation.

Inflation appears to be settling at higher levels, with 4% potentially replacing 2% as the new norm, but the overall debt picture remains unchanged, with private debt decreasing, public debt increasing, and corporate debt holding steady.

Financial market pressures are expected to temper the more extreme elements of his agenda, as seen with the refusal of the Fed to lower interest rates despite Trump's demands to do so and the ECB President Christine Lagarde's warning that political interference in central bank policymaking could lead to economic volatility and higher inflation.

REAL ESTATE IMPLICATIONS

Discussions at the retreat suggested that Trump's policies could drive increased capital flows towards European real estate, particularly on the distressed asset side, while deregulation efforts and a push for a return to office culture may have a marginal positive impact on the sector.



Based on voting, Trump's influence on property markets is expected to be mixed, with a majority of respondents (59%) believing that strong GDP growth and occupier performance will positively influence real estate values, while a notable 35% foresee negative consequences, citing tariffs, immigration policies, and strained trade relationships as potential barriers to growth.

However, there was general consensus that although Trump's presidency introduces a certain degree of unpredictability, the long-term effects on European real estate are unlikely to result in austerity, as expansionary and inflationary policies historically support market activity.

GLOBAL REAL ESTATE
LOSING STEAM OR GAINING MOMENTUM?

DIFFERING DYNAMICS

The US and Europe exhibit stark differences in real estate performance, with challenges and opportunities varying significantly across the two regions.

While the US market has faced additional demand-side pressures that were not as prevalent in Europe, a narrative has emerged - largely stemming from the US - that all real estate is in decline.

This perception is driven by a lack of liquidity and reduced institutional interest. However, Europe is not the US. The European market benefits from long-term investors with extended time horizons, creating a more stable outlook. Rent growth in European office markets further reinforces this resilience.

One critical factor often overlooked is how real estate should be measured against the real risk-free rate (RRFR). Despite recent volatility, real estate remains fairly priced relative to the RRFR, with spreads having returned to normal levels. This indicates that the sector is back to a fair value position.

DEBT FUNDING GAP

One of the key differentiators between the two markets is debt financing, with the US facing a significant debt funding gap of approximately USD 400 billion.

The key question is therefore: where do cap rates stand relative to the cost of debt?

In a down market, liquidity and the ability to sell assets become critical considerations. Encouragingly, bank lending is expected to ease, making financing more accessible for borrowers.

Meanwhile, new capital providers are emerging, with sovereign wealth funds, APAC pension funds, and family offices increasingly stepping in to fill the funding gap.

EUROPEAN RE ANALYSIS

The European real estate market is currently performing largely as expected, delivering solid cap rate returns while navigating the tail end of high inflation. Total returns currently sit at around 1.1%, reflecting a stable outlook.

When comparing returns between Europe and the US, the figures are broadly similar; however, Europe's volatility is about half that of the US. This reduced volatility is crucial when considering global financial stability.

Thanks to European banking operating under stricter regulatory oversight, the IMF does not foresee a systemic issue despite the region's banks having greater exposure to the still struggling office sector. Even in a scenario where office capital values decline by 50%, capital ratios remain sustainable.

The overall outlook for Europe remains one of resilience, underpinned by stable banking conditions and controlled volatility.

SECTORAL TRENDS & OPPORTUNITIES

The real estate market remains generally resilient, with several sectors showing strong fundamentals. Prime total return leaders include US multifamily, UK retail, and French logistics, among others.

Looking ahead, 2025 presents the possibility of an upturn in commercial markets, particularly in investable operational assets aligned with global investment themes.

London remains a prime destination for cross-border investment, with significant US capital continuing to flow into the city. Its position as the default alternative market for global investment underscores its enduring appeal.

Logistics continues to experience rental growth, although at a slower pace than during the pandemic. Data centres stand out as a particularly strong asset class, with vacancy rates at exceptionally low levels, especially in high-cost locations.

In the multifamily sector, the US market is significantly larger in scale than Europe, but both remain attractive investment opportunities. US multifamily, in particular, continues to be a key asset to back, although concerns were expressed about the long-term outlook.

ESG, URBAN DENSITY, & SECURITY

The evolution of urban real estate is increasingly shaped by environmental, social, and governance (ESG) considerations and the physical environment. In European cities, the growing integration of offices with leisure and residential spaces is redefining traditional commercial hubs.

However, if there is no compelling reason for employees to return to the office, a downward spiral in demand for such properties could follow, posing a long-term risk to asset values.

Urban density plays a crucial role in mitigating the impact of a real estate downturn. The denser the city, the more alternative uses exist for commercial spaces, providing flexibility in repurposing assets.

Higher-density cities also benefit from stronger demand, better transport connectivity, and elevated land values and rents, making them more resilient and attractive from an investment perspective.

Security and the rise of public-private spaces are becoming central concerns. London’s ‘ring of steel’ is an example of how cities may increasingly create designated areas to enhance safety and prevent crime.

The people and businesses surrounding an office block directly influence its value, driving greater interest in controlled and secure urban environments. As a result, investors and developers are expected to place a stronger focus on security around assets.

INFLATION HEDGE
DID REAL ESTATE FAIL?

HISTORICAL HEDGING

Inflation has historically been a positive factor for real estate, as it is fundamentally a cash flow-generating business. However, the benefits of inflation as a hedge are not universal and depend heavily on the type of asset, the timing of acquisition, and the lease structures in place.

Inflation cannot compensate for entering the market at a poor valuation, and assets that do not generate cash flow are particularly vulnerable. For income-producing assets, lease structures play a vital role in determining whether inflation indexing flows through to net operating income (NOI) and how quickly this adjustment occurs.

A major risk lies in tenants' ability to absorb inflation-linked rent increases. As operating costs rise across the board, businesses may struggle to keep up, increasing the likelihood of bankruptcies and potential vacancies.

IMPACT ON LIABILITIES & DEVELOPMENT

While inflation can boost revenues, it negatively impacts liabilities due to rising interest rates and widening financing spreads. For investors to benefit from it, effective management of liabilities is essential.

Inflation also poses a significant challenge for development and construction. Escalating labour and material costs, combined with expensive financing, have made new projects less feasible, leading to a slowdown in construction.

Paradoxically, this has benefited the owners of existing assets, as limited new supply can drive up rents, property values, and demand for established properties.

Tracy Stroh, Managing Director, GIC

IS REAL ESTATE STILL SUFFERING FROM HIGH INTEREST RATES?

Yes - It's too expensive for us not to feel like real estate failed as an inflation hedge — 61%

No - Despite higher rates, the magic formula will never change — 35%

Not sure — 4%

REAL ESTATE VS OTHER INFLATION HEDGES

Although voting results showed that a majority of industry leaders (61%) believe that rising borrowing costs have made real estate too expensive, weakening its role as an inflation hedge, 35% remain confident in the sector's fundamentals, suggesting that long-term resilience persists despite current challenges.

Despite the results, when compared to alternative inflation hedges such as gold, bitcoin, and blue-chip securities, real estate - particularly prime assets - continues to stand out as a natural hedge in the long term.

An illustrative point is the loss of 98% of the purchasing power of the USD since the 1970s, highlighting real estate's enduring value preservation over time. However, this effectiveness relies on prudent entry points, sound management, and a focus on assets best positioned to capitalise on inflationary trends.

The question of whether real estate is truly an effective inflation hedge essentially depends on the investment horizon. Over a 40-year period, the sector has historically provided strong protection against inflation.

Consensus posits that the market remains a strong hedge against inflation, but its effectiveness is far from universal. Success depends on acquiring the right assets, managing liabilities, timing within the cycle, and navigating lease structures to maximise NOI.

With interest rates having normalised relative to long-term spreads and inflation, the current scenario presents a compelling opportunity to buy, but success will depend on navigating regional differences, leveraging sectoral opportunities, and addressing challenges posed by a shifting economic environment.

Global real estate does remain a viable and attractive asset class as an inflation hedge, particularly in Europe and high-demand sectors, but only for those who play the game wisely.

EQUITY OR DEBT?

MARKETS & MATURITIES

Determining whether equity or debt is the superior strategy in today's real estate market depends on timing and market cycles.

Debt performance tends to be vintage-specific, often delivering strong returns over long periods but ultimately giving back gains at the end of the cycle. This makes timing critical - investors must feel confident they are near the bottom of the cycle to maximise returns.

The current capital markets reflect a balanced approach, with 20% debt and 80% equity being raised, indicating that there is no major mismatch in capital relative to capital stacks.

While optimism exists regarding achieving decent returns from a vintage standpoint, the window for strong performance may be shorter than in previous cycles, likely not extending over a full 10-year run.

DEBT MARKET TRENDS

Private credit in the UK has become the dominant financing source, overtaking traditional lenders. This trend presents a positive outlook for credit deployment, but questions remain about whether too much private credit has been raised without sufficient opportunities for deployment.

If this is the case, it could lead to a more aggressive lending environment, potentially increasing risk-taking in the sector.

Meanwhile, capital markets have rebounded, providing strong support for refinancing upcoming maturities. REITs are once again tapping into capital markets at favourable pricing, signalling improved liquidity and investor confidence.

From a macroeconomic perspective, if base rates remain high, this could further strengthen the case for debt as an attractive strategy. However, the long-term sustainability of the private credit boom and its potential impact on risk levels remain key factors to watch.

CORE CAPITAL

Core capital is increasingly being directed towards debt, with core equity becoming less favoured. This shift raises questions about whether lenders are taking on excessive risk, particularly as spreads continue to tighten throughout 2024.

While the US Commercial mortgage-backed securities (CMBS) market remains strong, Europe presents a stark contrast, where CMBS is virtually non-existent, leaving alternative financing structures to fill the gap.

Despite concerns about risk, 2024 appears to be a strong vintage for debt, though the window for optimal returns may be relatively short - potentially 12 to 18 months. This tightening of spreads could also create a window of opportunity for equity investors, should conditions align favourably.

An additional factor influencing debt strategies is the role of back leverage. As investors seek ways to enhance returns, there is growing speculation about whether this leverage is contributing to the formation of a bubble. The interplay between tightening spreads, leverage, and risk appetite will be critical in shaping the market outlook.

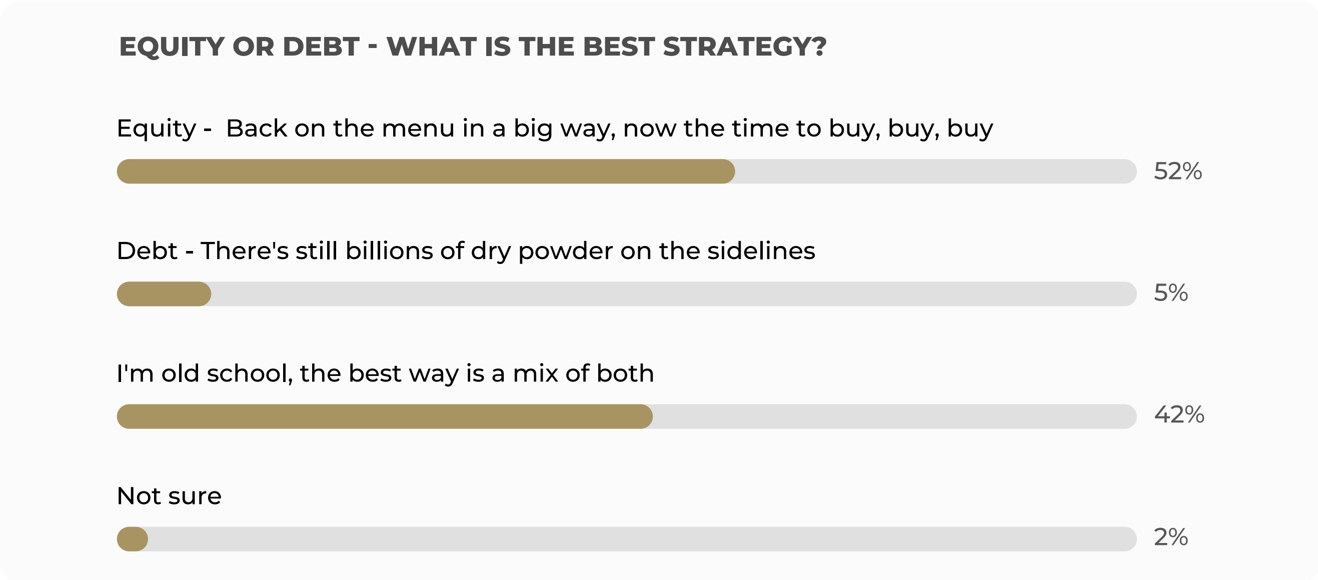
LEVERAGE & LIQUIDITY

Unlevered debt positions are currently offering high single-digit returns, with back leverage being used to enhance attractiveness. Additionally, the increasing probability of loan extensions is making debt financing more appealing, as lenders provide greater flexibility in challenging market conditions.

On the equity side, liquidity remains a key question. While transaction volumes have yet to fully rebound, the market is watching closely to see whether a bridge will emerge between the bid/ask spread, which has kept many deals on hold.

That said, equity in today's market could prove to be one of the best vintages, given the continued scarcity of core capital. Investors willing to deploy capital now may benefit from attractive valuations, as many assets are currently trading below replacement cost, creating significant upside potential.

Looking ahead, 2025 could bring a rise in motivated sellers, potentially increasing transaction activity as market conditions evolve.



The retreat poll results indicate a strong preference for equity, with 52% of respondents believing now is the time to buy, reflecting growing confidence in market opportunities. However, 42% favour a balanced approach, suggesting that while equity is attractive, maintaining some exposure to debt remains prudent.

Only 5% see debt as the better strategy, implying limited enthusiasm for pure debt plays despite available capital on the sidelines. With minimal uncertainty (2% unsure), the overall sentiment leans heavily towards equity, though a diversified approach still holds significant support.

REFINANCING RUMBLINGS

One key question that remains is: when will the “wall of refinancing” hit?

Despite widespread concerns about a looming wall of maturities, the market has yet to experience significant distress. So far, liquidity and access to capital appear strong for debt, suggesting that while refinancing pressures may emerge, they have not yet created systemic challenges.

BLOOD IN THE WATER?

Both debt and equity capital are expected to present compelling opportunities through 2025, with investors remaining focused on bid/ask spread compression regardless of their position in the capital structure.

Meanwhile, dry powder continues to accumulate, increasing pressure to deploy capital. The big unknown is whether the market will experience a sudden correction (“blood in the water”) or a gradual repricing (“slow bleed”) as liquidity builds and opportunities arise.

ASSET CLASSES
DATA CENTRES

GROWTH & ENERGY CONSTRAINTS

As demand for data centres continues to rise, questions are emerging about whether energy constraints could cap future development. By 2030, energy consumption is expected to double, placing significant strain on power grids.

In response, the industry is exploring transitional energy solutions, with the US leveraging gas and renewables - including nuclear power - while Europe faces challenges due to limited 5MW capacity, requiring significant scaling to attract large clients.

Hyperscalers are eyeing nuclear energy as a long-term solution over the next eight years, while debates around regulation versus economic feasibility continue, particularly regarding hydrogen adoption.

Given the high cost of capital, securing powered land has become a priority, with proven capex for power and a strong financing market becoming critical for sustaining growth. Despite these hurdles, the level of demand remains high - even without factoring in the growing impact of AI.

LOCATION, LATENCY, & LAW

Location strategy is another key factor. The balance between AI-driven data centres, which require low latency and proximity to cities, versus cloud infrastructure that can function remotely, will determine where capital expenditure should be directed.

High-megawatt sites near urban centres face regulatory and logistical challenges, whereas remote locations present transmission and supply constraints.

In many cases, the secondary market may offer better opportunities than primary hubs such as FLAP-D (Frankfurt, London, Amsterdam, Paris, and Dublin) due to fewer grid and land restrictions.

Regulations around data centres are evolving rapidly. Although the UK has marked data centres as critical national infrastructure (CNI) alongside the emergency services, finance and healthcare systems, and utility supplies, cities like Amsterdam have imposed moratoriums on new projects.

Meanwhile, EU policies increasingly mandate heat recycling and ringfencing to align with sustainability goals. The debate between stricter regulation and industry self-regulation is ongoing, shaping the sector's long-term outlook.

CAPITAL CONSIDERATIONS

Uncertainties around size, risk, and exit strategies mean that investment decisions must weigh the costs of building versus equipment, with cap rates ranging between 4.5% and 5%. The industry is seeing a shakeout of smaller operators, as those unable to scale efficiently struggle with suboptimal capital deployment relative to risk.

A key debate is standing assets versus new development. While the shell structure remains the same, advancements in cooling, data centre technology, and power generation mean that the traditional “box-in-a-room” model is rapidly changing. As a result, repurposing standing assets is becoming more challenging, raising questions about long-term adaptability.

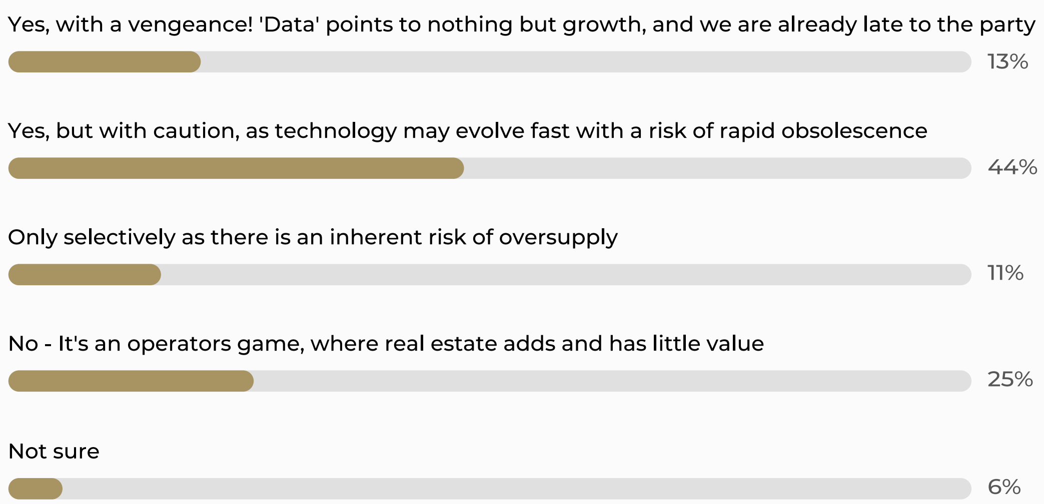
From a value perspective, a strategic approach would be to ignore AI hype and focus on Cloud infrastructure, given its long leasing lead times and reliance on selective developers and operators.

Hyperscalers tend to keep data centres on balance sheets, making large-scale development more viable for them. However, for investors, the mid-scale segment remains uncertain, as the economics of large-scale data centre investments are still being defined.

Historically, arbitrage opportunities existed in power access, but this is shifting. Building power capacity is now an entirely different game, requiring separate capital allocations depending on the investment cycle.

Different investor profiles - such as hedge funds, asset managers, and credit investors - are now approaching data centre investments through distinct lenses. Returns are also being evaluated in the context of real estate versus infrastructure, further complicating investment strategies.

SHOULD WE BACK DATA CENTRES AS A REAL ESTATE INVESTMENT?



The results of polling at the retreat reflect measured optimism toward data centres as a real estate investment, with 44% supporting investment but with caution, citing the risk of rapid technological obsolescence.

Meanwhile, 25% were against backing data centres, believing them to be primarily an operator's game, where real estate adds little value, and 11% advocated for a selective approach due to oversupply concerns. Only 13% see it as an unequivocal growth opportunity, while 6% remain uncertain.

Overall, investors acknowledge strong demand but are wary of risks, favouring a cautious and selective approach rather than aggressive expansion.

LIVING SECTOR

CONSTRAINTS & CONVERSIONS

The market has transitioned from being developer-centric or banking-centric to a more client-focused model, with demand surging across various living sectors. Exit yield forecasting, especially in comparison to bonds and other asset classes, is a growing focus for investors, as is the regulatory landscape, which adds uncertainty to long-term strategies.

Despite continuing to offer strong investment potential, affordability and supply constraints are pressing concerns in the sector, particularly in markets such as Spain, which has demonstrated low volatility but where demand remains high due to the ongoing housing crisis.

Meanwhile in Germany, there is strong momentum in micro-living, government-backed housing, office-to-residential conversions, and the regeneration of older stock, often supported by subsidies.

BROWN-TO-GREEN

The brown-to-green transition is another key trend, with under-rented properties (by 15% to 20%) offering opportunities through energy savings allocation, government subsidies, and highly attractive financing.

However, location remains a critical factor, as some areas may not provide the necessary returns on capital expenditure. While rent increases help offset costs, a portion of the gains will be absorbed by lower energy expenses.

With demand at unprecedented levels, success depends on seizing opportunities during transitional periods and market dislocations, where the greatest financial returns are made. Speed is crucial, both in securing permits and accelerating construction, with a focus on fast and cost-effective development to maximise investment potential.

BTR VS BTS

The shift from build-to-sell (BTS) to build-to-rent (BTR) has become increasingly challenging for many due to rising interest rates, a 50% increase in construction costs, and higher financing expenses. These factors have significantly impacted the feasibility of new rental developments, making it difficult for investors to achieve sustainable returns.

While subsidies may seem like a potential solution, they pose risks and unintended consequences that could distort the market. Instead, it was suggested that policymakers could support the sector through faster permit approvals and tax reductions, such as value-added tax (VAT) adjustments, to help alleviate financial pressures on developers.

Despite strong supply and demand fundamentals, political risk remains a key concern. In Ireland, sudden policy shifts have created uncertainty for investors, demonstrating how government decisions can quickly reshape market dynamics.

A clear example of this is also seen in Spain, where rental regulations have had a significant impact - in Barcelona, rental stock has fallen by 35% in just three years following increasingly stringent legislation, while Madrid has experienced a more stable trajectory.

Ultimately, while demand for rental housing remains high, the combination of rising costs, regulatory uncertainty, and political intervention is creating substantial headwinds for the BTR sector across Europe.

AFFORDABLE HOUSING

In markets such as the US, the affordable living sector remains one of the most stable and resilient asset classes, with consistent cash flows and minimal vacancy risks. The multifamily class in particular has proven to be one of the most stable and best-performing segments, with demand continuing to support growth.

However, affordable housing remains highly regulated, limiting investment flexibility. In contrast, student housing and flexible living operate in less regulated environments, providing more opportunities for investors.

SENIOR LIVING

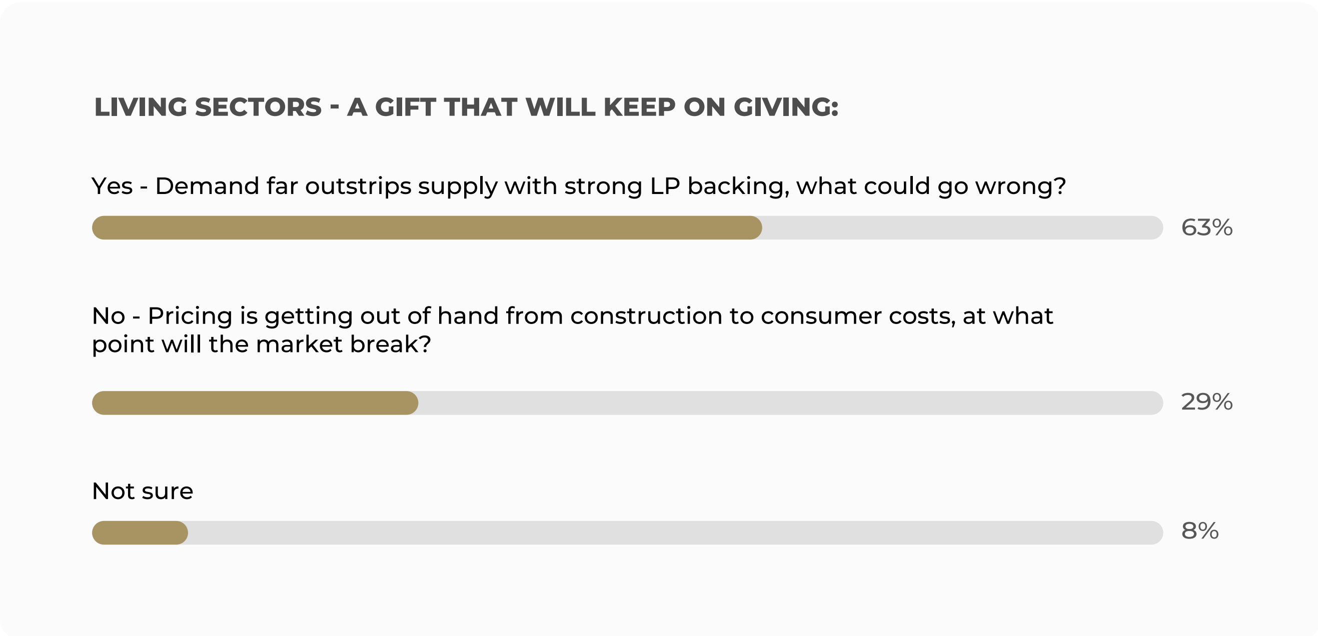
Senior living presents both potential and challenges, particularly regarding reputation risk. This risk is lower in high-end developments, where service quality and resident experience are prioritised. In Europe, senior living typically caters to older age groups, and controlling the operating company (OpCo) is crucial to maintaining efficiency and profitability.

Despite strong fundamentals, pricing remains a key challenge. Overpaying for assets can undermine returns, particularly in markets where regulation or operational complexities affect income growth. In the US, over the past three years, effort rates (the proportion of income spent on rent) have remained stable, particularly at the high end of the market.

EMERGING MARKETS

In India, construction activity remains strong, with the country now a decade into expanding its living sector, particularly in senior housing, student accommodation, and affordable rental markets.

Many assets are leased to corporate tenants, offering high yields and long-term stability. At the luxury end, India has seen the rise of ultra-high-end apartments priced between USD 75m and USD 200m, particularly in the east of the country, reinforcing its position as an increasingly mature player in the global living sector.



The retreat poll results showed strong confidence in the living sector, with 63% of industry leaders believing demand far outstrips supply, backed by institutional capital. However, 29% expressed concerns over rising costs, from construction to consumer affordability, warning that pricing could become unsustainable.

Meanwhile, 8% remain uncertain, reflecting some hesitation about the sector's long-term trajectory. Overall, the living sector remains highly attractive, but affordability and market stability concerns are growing, suggesting a need for careful pricing strategies.

OFFICES

DEMAND & DISTRESS

The office market remains highly polarised, with strong demand for high-quality buildings, while lower-quality assets struggle to attract interest, regardless of price. Investors seeking opportunities must often navigate long leasing processes, adding an additional layer of complexity to decision-making.

There is potential to create value for those seeking distressed opportunities, but success hinges on acquiring assets at the right price. With multiples currently ranging between 13 to 15 times, investors must carefully assess whether redevelopment costs justify the investment.

The reconfiguration of office space is a significant challenge, requiring not just a cosmetic upgrade but a fundamental rethink of how these spaces compete with home working - simply applying a “botox” approach will not be enough to bring people back. Offices must offer an experience superior to home environments to remain relevant.

An alternative to buying existing stock is focusing on stalled developments, which may offer opportunities for repositioning in a changing market. Ultimately, while select opportunities do exist, the market requires a patient and strategic approach, balancing timing, asset quality, and redevelopment potential to deliver long-term value.

RENTAL GROWTH

Rental growth in the office sector has yet to materialise, as several key factors need to align before sustained increases can be seen. One of the biggest challenges is the oversupply of underperforming stock, which needs to exit the market to create the conditions necessary for rents to rise.

At present, London and Paris remain the only markets where best-in-class office properties are attracting strong demand, reinforcing their status as prime investment destinations. However, maintaining and upgrading these assets requires significant capital expenditure, and at an increasingly rapid pace, as occupier expectations continue to evolve.

In the end, economic growth is the real driver of rental growth, raising the question of whether Europe can generate the necessary momentum. With some viewing the region as “the worst place to be” in terms of growth prospects, the outlook remains uncertain.

Until stronger economic conditions take hold, the office market will likely remain a waiting game for rental recovery.

LIMITED LIQUIDITY

Liquidity in the office market is shrinking, making exits increasingly difficult as the sector becomes more marginalised as an asset class. Investors need to adopt a highly selective and disciplined approach, treating it as a “sharp-shooting game” where only the best opportunities are worth pursuing.

One strategy is to front-load profits by acquiring assets at a discount, ensuring strong entry pricing to mitigate risks. However, yield compression should not be expected, though market conditions could shift again in the future, creating potential upside.

For now, patience is key. Investors must be prepared to hold assets and wait for a resurgence of capital, as office demand and liquidity cycles remain highly uncertain.

SLOWING SUPPLY?

The supply of new office space is expected to slow, with high barriers to entry making development more challenging. Investors are therefore waiting for the right cap rates before committing to acquisitions, ensuring that market conditions are favourable for long-term returns.

The ideal office investment requires a combination of key factors. Location quality is paramount, ensuring strong tenant demand and long-term value. Additionally, the cost of repositioning must be factored in, as upgrading assets to meet evolving occupier expectations is essential. Modern office concepts that prioritise tenant experience will also be crucial in securing stable occupancy and rental growth.

Ultimately, the office market has become a deal-by-deal landscape, where selective investments with strong fundamentals will determine success.

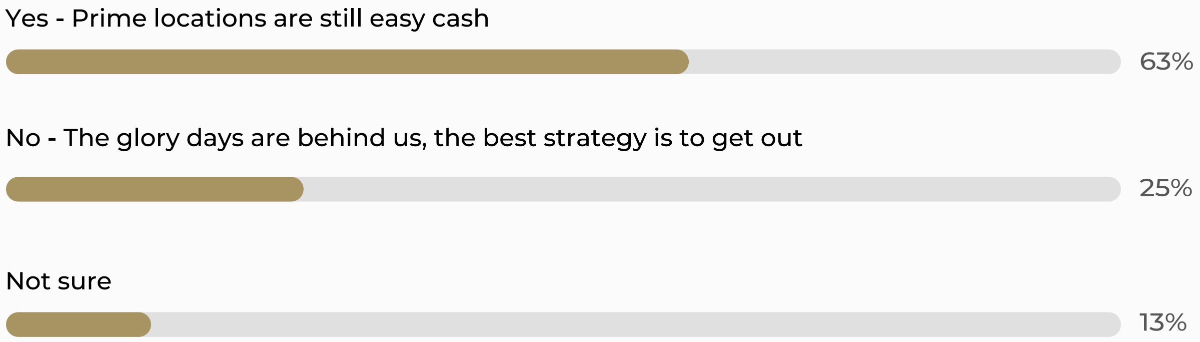
SCRUTINISING SUSTAINABILITY

ESG considerations are becoming increasingly central to office investment decisions, with tenants playing a key role in shaping demand. As sustainability expectations rise, companies are prioritising energy-efficient and environmentally responsible buildings, making ESG compliance a crucial factor in asset selection.

However, constructing new office buildings comes with a high carbon footprint, raising concerns about the environmental impact of development. This is likely to come under increasing scrutiny, potentially influencing both investor sentiment and regulatory frameworks.

As a result, ESG remains a major uncertainty in the office market. While tenant demand for sustainable spaces is growing, the challenge lies in balancing the need for high-quality assets with the environmental impact of new construction, making the path forward for office investments more complex.

OFFICES - ARE YOU BELIEVER?



Results from the offices poll indicate continued confidence in prime locations, with 63% of industry leaders believing they remain strong investment opportunities. However, 25% see the sector's best days as over, favouring exit strategies amid concerns over market shifts, financing, and vacancies.

Meanwhile, 13% remain uncertain, reflecting broader unpredictability in the office sector's future and highlighting that the market remains polarised, with prime assets retaining appeal while weaker locations face increasing scepticism.

HOSPITALITY

POST-PANDEMIC RECOVERY

The hotel sector saw its strongest investment activity in 2024 since the pandemic, driven by robust operating performance and growth in Average Daily Rates (ADR). However, a key question remains - is this growth sustainable?

Market dynamics vary significantly by city, with local pressures such as labour costs, the tax environment, and regulatory changes impacting profitability. Additionally, the relationship between real estate pricing and moderating ADR growth remains uncertain, with different markets responding in distinct ways.

Performance also differs across urban and resort markets, with demand patterns varying based on location and segment positioning. Ultimately, investment strategies in the hotel sector remain highly dependent on asset quality, operational structure, and brand affiliation.

The outlook also depends on segment-specific performance, including leisure, corporate, and group demand, as well as chain scale positioning and overall demand drivers. Given these complexities, it is risky to generalise market trends, as performance will be highly location and segment-dependent.

OPERATING BUSINESS OR RE ASSET?

A key distinction in hotel investment is whether to approach it as an operating business or a real estate asset. The strategy chosen significantly impacts risk, returns, and the ability to navigate cost inflation in wages and energy. One perspective suggests focusing on high-margin hotels, where these rising costs can be better absorbed without eroding profitability.

Private equity investors tend to favour a platform approach over traditional leases, allowing them to capture upside potential and drive operational improvements. Quality assets are often structured with Hotel Management Agreements (HMAs), which are generally accepted, though franchising is becoming less common.

Some investors prefer a value-add strategy, aiming to generate returns beyond market growth while securing downside protection from brands eager for expansion.

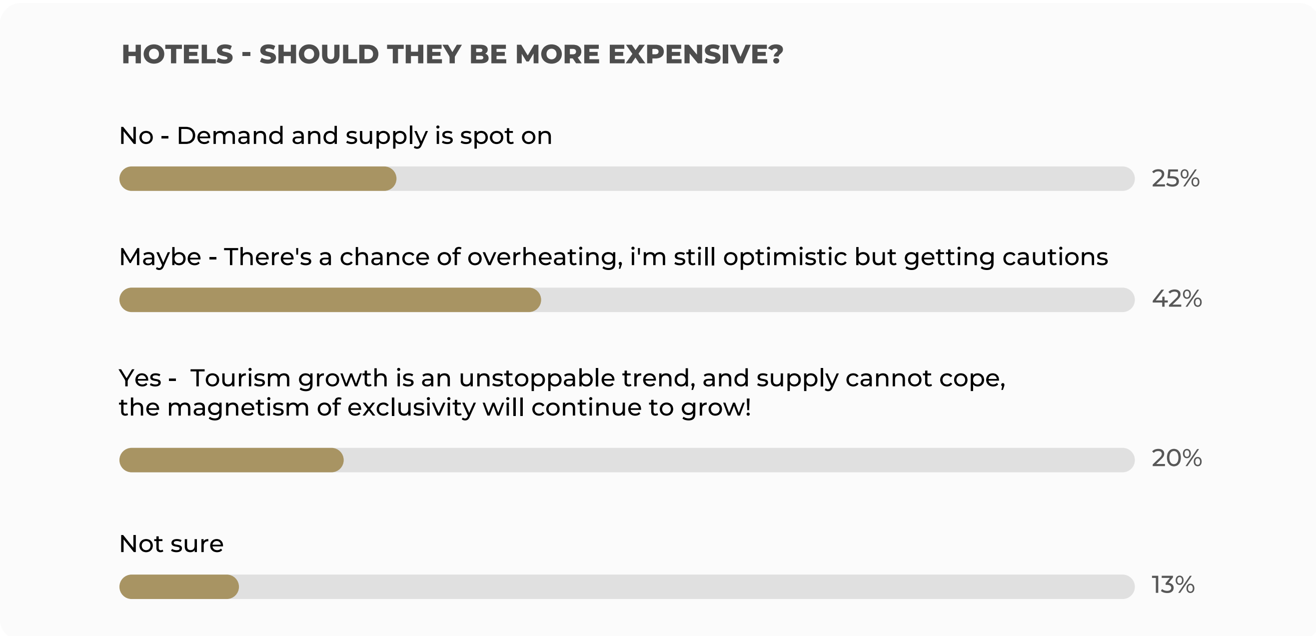
However, opinions on HMAs are divided. Some argue they come with high costs and limited local expertise, making hybrid lease structures a more flexible alternative. Others see certain high-end brands, such as Four Seasons, as key drivers of investment value, reinforcing their strategic importance.

LONG-TERM LIQUIDITY

Liquidity remains a key concern for resort investments, particularly due to infrastructure and accessibility challenges, which can limit exit opportunities. While US demand is driving ADR and occupancy growth in European resorts, much of this is currency-driven, making long-term sustainability uncertain.

Beyond operating fundamentals, capital flows play a significant role in shaping investment dynamics. However, no clear consensus exists on market direction, as the aforementioned diversity of markets and asset classes makes generalisation so difficult.

Despite high competition in bidding processes, valuing resort assets remains a challenge. Investors must not only determine current fair value but also anticipate future pricing trends. The disconnect between buyers and sellers continues to create friction, leaving many transactions in limbo as market participants seek greater clarity.



The poll results reveal mixed sentiment among real estate industry leaders regarding hotel pricing, reflecting the highly nuanced and market-specific nature of the sector. While 25% believe current supply and demand are balanced, suggesting no need for price increases, a larger portion (42%) remains optimistic but cautious, acknowledging the risk of market overheating.

Meanwhile, 20% argue that tourism growth is unstoppable, with supply unable to keep up, supporting further price appreciation. However, 13% remain uncertain, highlighting lingering concerns about market stability. Overall, while confidence in the sector remains strong, there is growing caution about sustainability and potential overheating in pricing dynamics.

LOGISTICS

REALTY RECALIBRATION

The logistics sector, once the untouchable darling of real estate, is now being forced to adjust to a new reality, one more closely aligned with other asset classes. However, its long-term fundamentals remain strong, supported by land scarcity, strong demand, low vacancy rates, and stable rental growth.

While core capital remains cautious, yields in the 5-6% range are beginning to make investments more attractive. After the residential sector, logistics continues to rank highly in asset allocation, maintaining its position as a preferred market for investors.

INVESTOR INTEREST

Currently, most capital deployment is focused on development, which presents potential risks. Given the short construction duration, challenges could arise if exit capital does not materialise, leaving investors with the alternative of holding assets for longer periods. That said, yield on cost remains healthy, providing some insulation against market volatility.

From a financing perspective, logistics is still favoured by lenders, who are showing increasing appetite for development projects, including speculative developments. This continued access to capital reinforces the sector's resilience and attractiveness, despite broader market adjustments.

RENTAL GROWTH

Rental growth was noted to be slowing across most locations and, while rents are unlikely to stagnate, they are becoming increasingly market-specific, with a widening gap between prime and secondary locations.

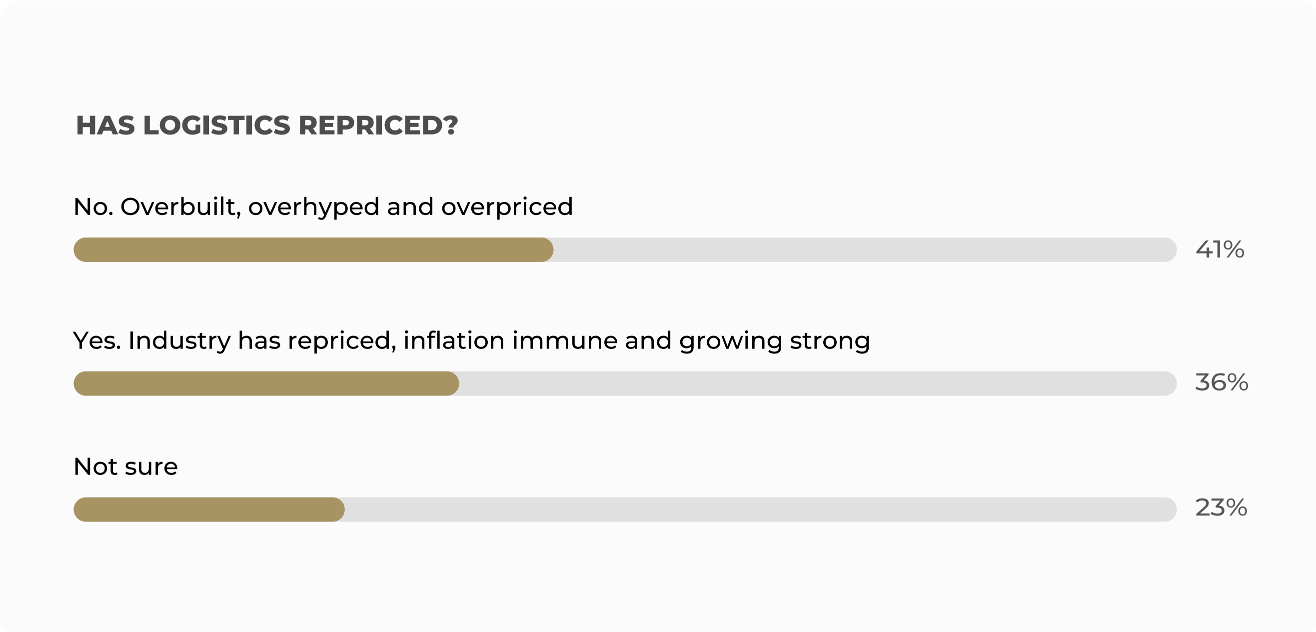
Leasing velocity has also slowed, as tenant demand has weakened. Where five or six tenants once competed for the same space two years ago, this has now dropped to just one or even half a tenant per unit, resulting in leasing incentives becoming more common.

Despite these changes, occupancy levels remain strong in well-positioned assets. For instance, one company reported vacancy rates that remain below 5% within a 6.5 million sqm portfolio, and very few defaults on recently delivered properties.

COST STRUCTURES

In terms of tenant cost structures, rents still represent only 3-6% of total tenant costs, while transportation accounts for 25-30%, reinforcing the importance of strategic location selection.

The top three logistics markets in Europe - Milan, the Netherlands, and Paris - continue to attract significant interest, with France emerging as a leader in cap rate compression. However, this trend remains market-specific, with some regions experiencing greater liquidity than others.



Polling at the retreat revealed a divided sentiment among real estate industry leaders regarding the repricing of logistics assets. While 41% believe the sector remains overbuilt, overhyped, and overpriced, 36% argue that the industry has successfully repriced, proving resilient to inflation and continuing to grow strongly.

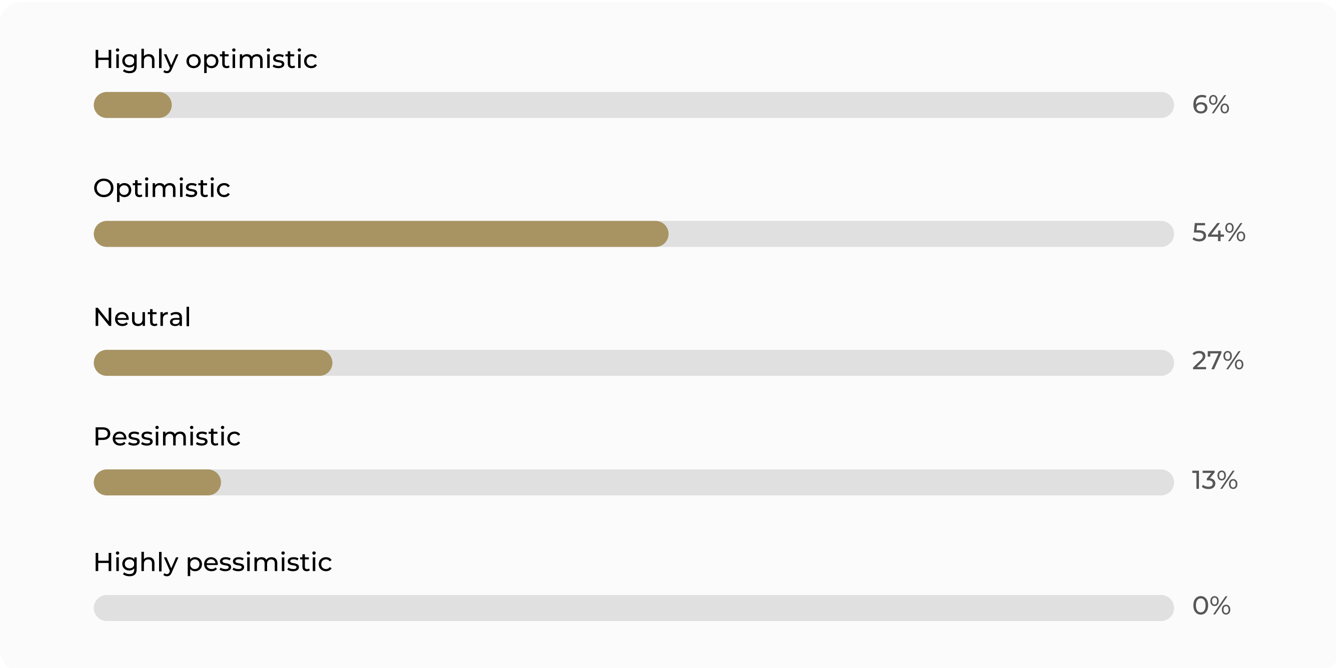
23% of respondents remain uncertain, indicating ongoing market volatility and a lack of consensus on whether logistics has found its equilibrium. Overall, the results highlight a market in transition, where some see risks of overheating while others view it as a stabilised and inflation-proof asset class.

While the logistics sector faces challenges from slower demand and cautious capital, its strong fundamentals continue to support its appeal. The growing gap between prime and secondary locations underlines the importance of strategic investments.

Despite headwinds, the sector remains well-positioned for long-term growth, particularly for assets in top-performing markets and well-located developments.

CHAIRMEN'S POLLS & PREDICTIONS
POLL RESULTS

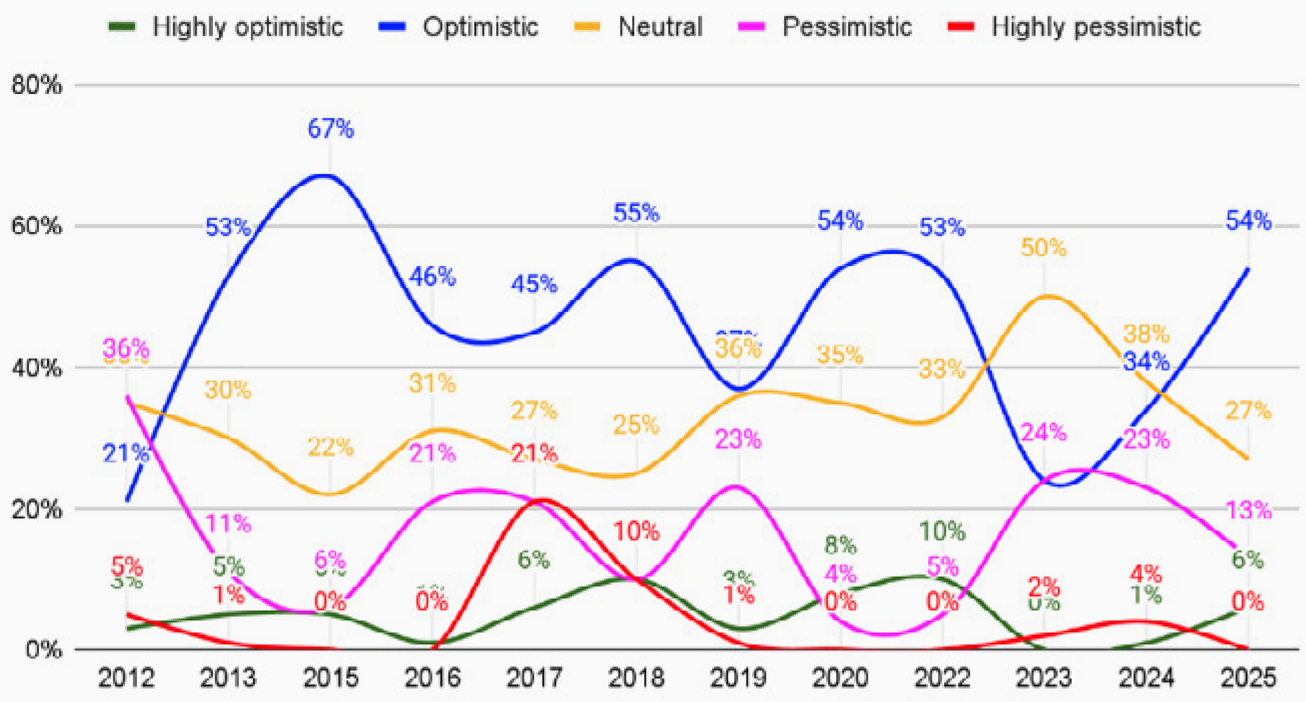
INDUSTRY OUTLOOK FOR THE NEXT 12 MONTHS & BEYOND



Polling at the GRI Global Chairmen's Retreat this year revealed that the industry outlook for the next 12 months is predominantly one of optimism, with 54% expressing confidence in market conditions and 6% being highly optimistic, up from 34% and 1% respectively in the 2024 edition.

Meanwhile, votes for a neutral outlook fell from a majority of 38% in 2024 to just 27% in 2025 and only 13% feel pessimistic, down from 23% last year. Notably, none of the respondents selected a "highly pessimistic" outlook for 2025, an option which received 6% of votes in the previous year's poll, indicating that while some uncertainties persist, concerns regarding severe downturns are minimal.

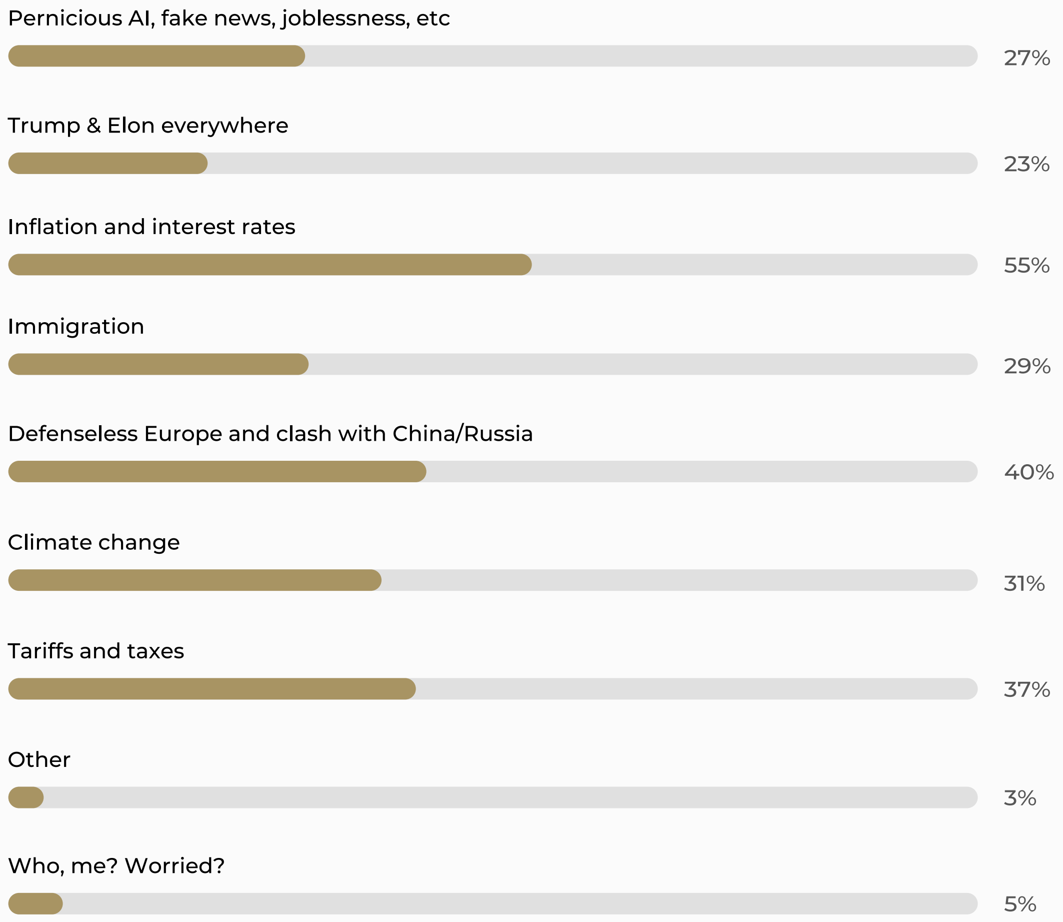
YOUR VIEW FOR OUR INDUSTRY IN THE NEXT 12 MONTHS?



Historical trends show optimism continues to grow - having finally matched pre-pandemic levels - while both pessimism and neutrality have declined significantly.

Although the industry remains broadly optimistic about the next 12 months, the focus may need to shift toward the next 5-10 years for a broader perspective. The fundamental question remains: can we continue leasing effectively in an ever-changing landscape?

WHAT ARE YOUR GREATEST WORRIES? WHAT KEEPS YOU UP AT NIGHT?



The poll on industry leaders' greatest fears showed that inflation and interest rates (55%) are the biggest concern for real estate leaders. Geopolitical uncertainty (40%), particularly regarding Europe's defense and tensions with China/Russia, is another major worry, alongside tariffs and taxes (37%).

Climate change (31%) and immigration (29%) also ranked high, indicating growing attention to ESG and demographic shifts. Additionally, AI, misinformation, and job losses (27%) are seen as emerging risks, reflecting uncertainty about technology's impact on markets.

The results from 2024 showed many similarities, with 61% of voters identifying growing hostility between major nations as their top concern, 43% pointing to persistent inflation and high interest rates, and 36% citing the possibility of a second Trump presidency to round out the 3 biggest issues causing them to lose sleep.

PREDICTION TAKEAWAYS

MARKET OUTLOOK: OPTIMISM VS UNCERTAINTY

While the 12-month industry outlook remains optimistic, the real question is what lies ahead over the next 5–10 years. The market remains resilient, but structural shifts and macroeconomic pressures could redefine long-term expectations.

KEY RISKS: INFLATION, INTEREST RATES, & INSTABILITY

Concerns about inflation and rising interest rates dominate worries, compounded by external factors such as geopolitical instability. While these issues are largely out of individual control, the immediate challenge for most remains ensuring properties are leased.

DATA CENTRES: PROMISING OR PROBLEMATIC?

While there is broad support for investing in data centres, caution prevails. The question remains: does anyone truly understand the long-term risks and fundamentals of this asset class?

EQUITY VS DEBT: IS THERE A DIFFERENCE?

Equity is making a strong return, with a renewed push to buy. Some argue that managing debt and equity today is more blurred than ever, though the opportunities in equity remain prominent.

HOTELS: PRICE GROWTH WITH CAUTION

The hospitality real estate sector remains resilient and attractive, but concerns over sustainability, pricing pressures, and market-specific risks are driving a more selective and cautious investment approach.

TRUMP AND REAL ESTATE: DIVISIVE BUT PROFITABLE?
Although many disapprove of Trump's approach to business, there is a strong belief that his influence on the property market will ultimately be accretive.

LIVING SECTORS: CAUTIOUS FAVOURITE
Residential and living sectors are widely favored, with strong consensus on its resilience, but the prevailing optimism comes with the reminder to avoid complacency - what could go wrong often does.

OFFICES: LOCATION AND QUALITY RULE
The mantra of "location, location, location" holds firm. The trend of flight to quality is reshaping the office sector, emphasising prime locations and higher-grade properties while secondary stock struggles.

LOGISTICS: OVERBUILT BUT UNSTOPPABLE?
Many see logistics as overbuilt and overpriced, but this has not deterred investment. Despite concerns, capital continues to flow into the sector, driven by long-term fundamentals.

REAL ESTATE: STILL A RELIABLE INFLATION HEDGE?
There is a growing belief that real estate has underperformed as an inflation hedge, with duration risk being a critical factor. The consensus is that time remains an investor's greatest ally, and surviving downturns without bankruptcy ultimately leads to long-term wealth.

THE FUTURE: TECHNOLOGY, INNOVATION & SUSTAINABILITY:
AI's role in real estate is reshaping productivity and revolutionising data centre management, reinforcing that innovation is not an option but a necessity. Sustainability remains a critical focus, with net-zero buildings and energy-efficient logistics emerging as essential strategies for long-term viability.

OPPORTUNITIES & CHALLENGES: SCALING AMID MARKET SHIFTS
The ability to scale in today's market requires contextualising investment decisions within global trends. One of the most debated topics was the repurposing of office spaces into residential units, raising the question: is this a viable solution or an unrealistic ambition?

CONCLUSION
The cyclical nature of uncertainty in real estate isn't unprecedented. Success hinges on adaptability and focus. The solution to most challenges - from geopolitical shifts to inflation - is to stay the course: lease the building, pre-lease where possible, and sell at the right time.

In a world where the pace of change is relentless and certainty is fleeting, true leadership is defined not just by decisions, but by the ability to step back, reflect, and engage in meaningful dialogue with peers who share the weight of responsibility.

This year's GRI Chairmen's Retreat was, once again, a testament to the value of coming together - not merely to discuss market shifts or economic forecasts, but to forge lasting connections, challenge perspectives, and refine the clarity that only deep conversation can bring.

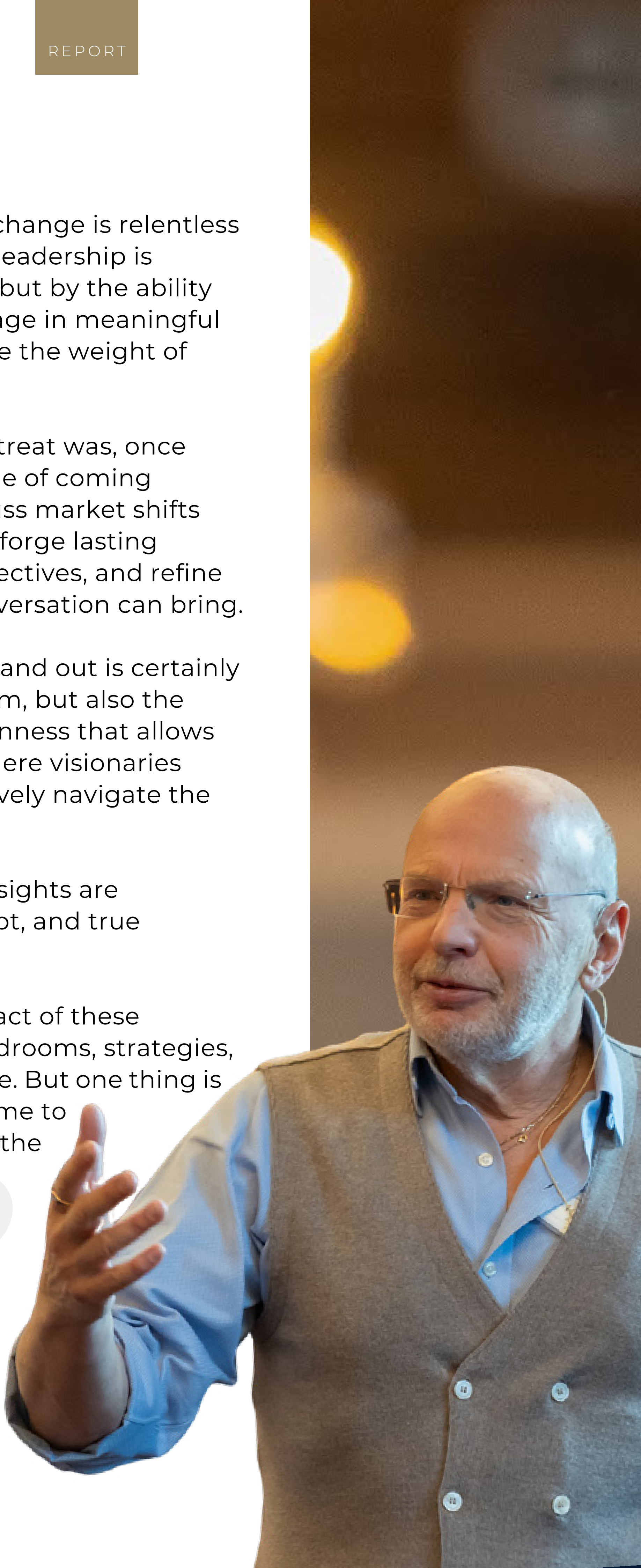
What makes this gathering stand out is certainly the calibre of those in the room, but also the environment of trust and openness that allows for unfiltered discussions - where visionaries debate, question, and collectively navigate the complexities of leadership.

It is in these moments that insights are sharpened, new ideas take root, and true transformation begins.

As we part ways, the real impact of these exchanges will unfold in boardrooms, strategies, and bold decisions yet to come. But one thing is certain: those who take the time to think beyond the present are the ones who shape the future.

Until we meet again.

HENRI ALSTER
CHAIRMAN
GRI Club



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12TH MARCH
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27TH MARCH
RIO DE JANEIRO, BRAZIL

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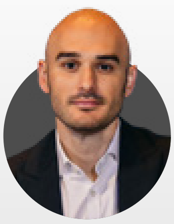

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