

Resilient strategies key in evolving landscape

How would you describe the 2024 real estate year?

The real estate sector in 2024 demonstrated remarkable resilience amid a backdrop of global challenges that tested its adaptability. Geopolitical instability, including conflicts in Europe and the Middle East, created ongoing macroeconomic uncertainty, disrupting supply chains and investor confidence. Simultaneously, the persistence of high inflation and elevated interest rates placed significant pressure on capital flows, leading to recalibrations in asset valuations.

Despite these headwinds, the income-generating attributes of real estate proved indispensable for institutional portfolios, though performance outcomes varied considerably across asset classes and geographies.

Real estate's income-based nature proved particularly robust during the year. However, success was not evenly distributed, with performance highly dependent on sectoral and geographic considerations. The logistics and living sectors, supported by enduring structural imbalances between supply and demand, outperformed.

Private real estate debt also presented compelling opportunities as traditional lending patterns shifted.

Meanwhile, sustainability emerged as a cornerstone of investment strategies, with resilient, low-carbon assets offering a blend of financial stability and environmental benefits that resonated with investor priorities.

Reflecting on 2024, it is evident that adaptability, specialisation, and a focus on long-term resilience were pivotal to weathering the challenges of the year. These insights will continue to guide the sector as it approaches the opportunities and obstacles of 2025.

Key takeaways for 2025

- **Sectoral divergence will be a prime theme**
- **High inflation and interest rates still present obstacles**
- **Sustainability underpins all strategic considerations**

What are the main challenges facing the sector in general and your company in particular in 2025?

As we step into 2025, the real estate sector faces a complex and evolving landscape marked by both macroeconomic pressures and industry-specific challenges. Geopolitical tensions continue to influence global markets, with the potential to destabilise supply chains and investor sentiment further.

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Alex Jeffrey, Savills Investment Management

While inflation and interest rates show signs of stabilising, their elevated levels still present obstacles for financing structures and asset valuations. This environment demands cautious and informed investment decisions, underscoring the importance of risk management.

Alex Jeffrey
Savills Investment Management



Another pressing challenge lies in evolving regulatory frameworks, particularly around sustainability and carbon neutrality. Real estate managers and investors are increasingly required to meet ambitious ESG targets, driving innovation in asset management, operations, and development. This shift reflects growing demand for transparency, accountability, and actionable results from both investors and occupiers.

Operational complexity is also increasing, with occupiers expecting assets to perform at higher levels of financial and environmental efficiency. Addressing these needs requires proactive management and rigorous cost controls.

Sectoral divergence is set to define 2025. The living, logistics, and natural capital sectors are expected to remain resilient due to strong structural fundamentals. There will be niche opportunities in parts of the more traditional office and retail sectors but overall those markets will continue to face structural challenges.

Sustainability represents both a challenge and an opportunity. The transition to a low-carbon future aligns with regulatory requirements and investor priorities while also unlocking significant long-term value. Resilient, sustainable assets will likely prove key to addressing these objectives.

What are the main elements of your strategy for the year ahead?

Real estate strategy is likely to hinge on three foundational pillars: resilience, sustainability, and specialisation. These principles are essential for navigating the evolving real estate landscape and capitalising on emerging opportunities while managing market complexities.

The living sector remains a cornerstone of strategic focus. With critical housing shortages and increasing rental demand across Europe and Asia-Pacific, this sector demonstrates exceptional resilience.

These dynamics are expected to drive continued real rental growth, offering stable income streams and long-term capital appreciation.

Similarly, logistics and urban industrial assets continue to attract investment due to their low vacancy rates, regionalised supply chains, and occupiers' willingness to pay a premium for modern, efficient infrastructure. The scarcity of developable land, particularly in urban areas, further reinforces the sector's outlook.

Beyond these core sectors, real estate debt and natural capital present significant

opportunities. As traditional banks remain cautious on lending, private lenders are stepping into funding gaps, offering attractive, risk-adjusted returns. Natural capital investments, including sustainable forestry and regenerative agriculture, align financial returns with environmental stewardship, making this sector increasingly appealing to long-term investors.

Sustainability underpins all strategic considerations. By targeting low-carbon, resilient assets, the real estate sector can mitigate environmental risks while delivering superior long-term performance.

Combining local expertise with global reach ensures tailored strategies will thrive across market cycles and address the stakeholders' unique needs.

Innovation and data-driven decision-making are also expected to play a key role. Staying ahead of industry trends and fostering a forward-looking perspective will be essential to navigate the challenges of 2025 and beyond, while delivering sustained success across the sector.

As always, an established, experienced on-the-ground presence in the relevant investment market will be crucial.