places and spaces

Union Investment

02/2025

The Real Estate Magazine of Union Investment



Southern Europe
Growth drivers attract real estate investors

Infrastructure
Investment opportunities for the German fund industry

Climate warrior Paris
Effects of transport and greening policies

Investment in core asset classes

Capital is back

Contents


4


56


20





If you would like to receive our newsletter on a regular basis, with its broad coverage of property issues and Union Investment's real estate activities, please register.







Cover image: Sergii Figurnyi/Shutterstock
Photos: Adele Marschner, Sergio Grazia, Shutterstock, Getty Images, Henning Ross

Cover Story

Real estate investment: Capital returns to the market 4
Institutional real estate business: Interview with Maximilian Brauers, Management Board member at Union Investment Institutional Property GmbH 8

Real People

Service KVGs: Managing €10 billion with vision and a system 11
Asset and project management: Shopping centre becomes medical mall 42

Portfolio

Club deals: Joining forces to handle major projects 14
Infrastructure: Investment opportunities for the German fund industry 16
Transformation: From office building to business hotel 36
Fitness centres: Driving footfall to offices and shopping centres 46

Markets

Southern Europe: Growth drivers attract real estate investors 20
Hotel sector: Busy times 28
Retail: Travellers' purchasing power reinvigorates European shopping centres 38
Paris as a climate warrior: The effects of transport and greening policies 56

Concepts

Microgrids: Energy self-sufficiency is becoming an asset for building management 33
"S" districts: Added value through social and cultural uses 48
Social contribution: Investing responsibly 52
Climate resilience: European real estate investors remain committed to sustainability 60
Libraries: Urban living rooms attract visitors into cities 64

Wide Angle

High-level architecture: Alpine summit structures in glass, steel and stone 70

News 27
Contact, online & service, publishing information 71
In & out 71

Cover image:
View from the Arc de Triomphe in Paris along the Avenue de la Grande Armée to the La Défense business district with its landmark Grande Arche.

Capital is returning to the market

Transaction volumes in the European property investment market are still well below the levels seen during the boom years, but there are increasing signs in some countries that capital is again seeking to invest in core asset classes. By Christian Hunziker



July saw one of the most significant office transactions in Europe this year, when Union Investment announced the profitable sale of Finsbury Circus House in London to a joint venture between Aware Super and Delancey in an off-market deal. It was the first high-value prime office building to change hands in the City of London in a long time. Karim Esch, the new Chief Investment Officer (CIO) at Union Investment Real Estate GmbH, sees the London deal as marking a return to movement in the transaction market . "Yes, a turnaround is in progress – at least in certain markets and asset classes," says Esch. He believes that a new cycle is beginning, albeit one that differs from the super-cycle experienced by the market before interest rates started rising. "For ten years, the property sector enjoyed a kind of mini-boom fuelled by low interest rates," Esch notes. "We're now seeing a return to ´normal' conditions where real estate remains an important asset class but is no longer replacing other investments, such as fixed-income securities."



Market signal from London: Union Investment has sold Finsbury Circus House. The high-value transaction involving a prime office property points to a long-awaited trend reversal in the real estate market.

Photos: Union Investment, Adele Marschner

More movement in the market lifts investor confidence

Other experts also believe that the transaction market is starting to free up. "In our opinion, we're already in the middle of a new cycle that will continue to accelerate over the course of the year," says David Hutchings, Head of Investment Strategy EMEA Capital Markets at consultancy Cushman & Wakefield.

This assessment is underlined by James Burke, Director, Global Cross Border Investment at Savills: "From what we are seeing, a new cycle of European real estate investment could already be under way." Burke points out that several large portfolios came onto the market around the middle of this year. "That's something which boosts confidence and is a promising signal for the rest of the year," he says.

Transaction volumes nevertheless still remain at a comparatively low level. CBRE figures indicate that properties worth €14.2 billion changed hands in Germany in the first half of 2025, representing a year-on-year decline of 2 percent. The trend in Europe as a whole was more positive: data from Savills shows that transaction volumes in the period from January to June came in at around €92 billion, exceeding the result for the first half of 2024 by 7 percent. This figure masks significant differences between regions and asset classes, as Karim Esch observes. "Markets such as the UK, ►



Profile

Karim Esch (53) joined the senior management team of Union Investment Real Estate GmbH on 1 July 2025, with responsibility for investment management.

He was previously a managing director at sister company Union Investment Institutional Property GmbH, which serves institutional customers.

He holds a degree in banking administration and has been with Union Investment since 2011.

Frankfurt am Main: In Union Investment's Aqua office tower, modern design features reflect the "hotelisation" of the office environment (top picture).

Paris: In September 2025, Union Investment sold the Centre d'Affaires Paris Trocadéro (bottom picture), after a holding period of over 20 years.

France and southern Europe are in the first third of the cycle and currently ahead of Germany, for example," he says.

Looking at individual property categories, Esch adds that prices have largely settled in the very robust logistics sector and in grocery-centred retail, while good prices can also be achieved for hotels. In the residential asset class, buyers and sellers are likewise more often finding common ground. "There have been a number of transactions involving large shopping centres, but the investment volume is not there yet across the board. The tide is set to turn, though," Esch adds.

Many shopping centres have strengthened their position by adding food retail, have adopted new approaches and been able to increase their occupancy rate. "The product has become more resilient," comments Esch. "Against this backdrop, I believe that investors should and will increasingly have shopping centres on their radar." This is already the case in countries such as Spain, Italy and the Netherlands, adds Savills expert James Burke, who even speaks of "renewed confidence in the retail segment".





Property types and national markets show varying degrees of resilience

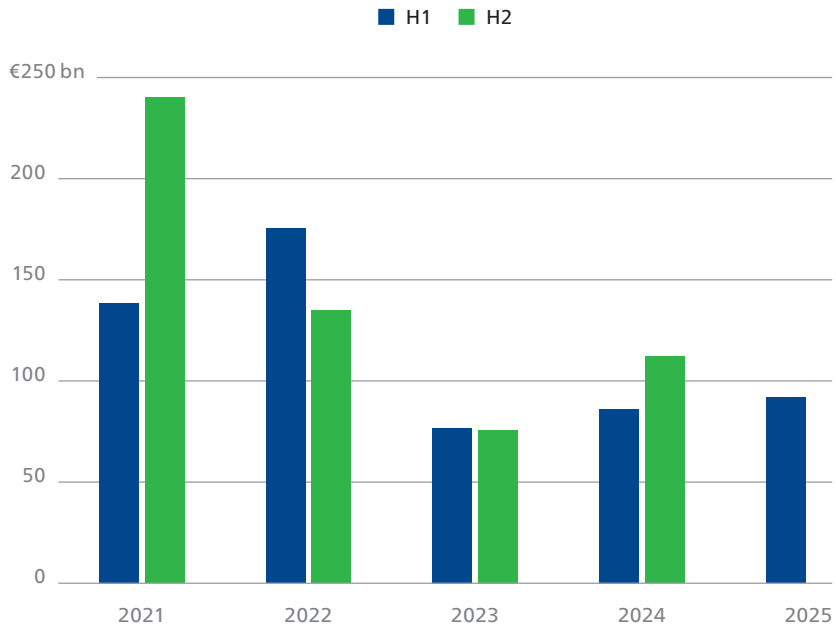
But what about office real estate? "Space-efficient properties with flexible interior layouts, good locations and strong ESG credentials are easily lettable, both now and going forward," says Karim Esch. "We're seeing a kind of 'hotelisation' of office buildings. This trend demands space for coming together, for creativity and for amenities," Esch adds. Some job profiles require new office designs, with a corresponding need to provide such space.

Esch points out that the situation is more challenging in the US at present. Even allowing for regional differences, re-letting and new lettings are generally still hard work in the States, although signs of recovery are emerging there as well. "US office properties will remain a good part of our portfolio, but possibly form a lower proportion," he explains. Conversely, Esch would like to increase the share of multi-family properties in the US going forward, among other changes.

Foreign investors increasingly turning to Europe

He is optimistic when it comes to Germany, based on the observation that the international take on the country is more positive than the domestic perception. "Economists – in particular those from abroad – believe that Germany will provide Europe with a major boost thanks to its investment offensive. This will feed through into investor capital flows." Esch adds that the "limited reliability and the announcement rhetoric of the

European investment volumes (€ billion)



The recent trend in the pan-European property investment market has been positive. Data from Savills shows that transaction volumes in the period from January to June came in at around €92 billion, exceeding the result for the first half of 2024 by 7 percent. Some market players see clear signs of a new property cycle starting in 2025.

Source: Savills, August 2025

US administration is leading foreign investors to increasingly look at Europe. Initially, they will typically target the gateway cities, i.e. London and Paris. The next destination for their money after that is likely to be Germany, as in the past."

"Good conservative product" is in demand again

Importantly, the pool of investors has also widened. "It's no longer just opportunistic investors with double-digit return expectations and value-add funds that are engaging," explains Esch. "Well-funded portfolio holders such as family offices and sovereign wealth funds are now also seizing the opportunity to acquire good conservative product."

This view is confirmed by David Hutchings from Cushman & Wakefield. While the last two years have been dominated by value-add investors, this is now changing, he says: "The market is becoming more balanced, while the number of core and core-plus players, and of portfolio holders willing to sell, is increasing significantly." The CIO of Union Investment Real Estate is confident that positive sentiment among professional market participants will not only have an impact on the company's institutional business, but also on private client demand for its open-ended retail funds.

Talking to many private investors who were feeling concerned, advisers were able to successfully make the argument that real estate is still an important and worthwhile component of an investment strategy. "Anyone who redeems their fund units now is getting out just when property prices are rising again," notes Esch. "It's better to invest continuously in real estate through all cycles; it is and remains a long-term investment."

Looking ahead, Union Investment intends to deploy modern technologies such as blockchain, which will enable it to address digital-savvy investors. Infrastructure-related options could represent additional sources of revenue for investors (see the associated articles on pages 16–19 and 33–35). "We aim to use the new cycle to continue growing our property business on the private client side and on the institutional side," comments Karim Esch.



"We're already in the middle of a new cycle that will continue to accelerate over the course of the year."

David Hutchings, Head of Investment Strategy, EMEA Capital Markets, Cushman & Wakefield

Photos: Union Investment/Lars Gruber, Union Investment, Cushman & Wakefields

“We bring expertise and strong execution skills to the market”

In an interview with Maximilian Brauers, the places and spaces editorial team turns the spotlight on developments in the company’s institutional real estate business in 2025. Brauers talks about strategic priorities, growing competition in the European residential segment, multi-billion mandates and new fund strategies.



Photo: Union Investment

Maximilian Brauers joined the Management Board of Hamburg-based Union Investment Institutional Property GmbH in July 2021. In this role, the real estate expert, who has a doctorate in economics, is in charge of real estate sales for German and international key accounts.

Mr Brauers, how would you describe the company's institutional real estate business to date?

We see four key areas emerging that are shaping our institutional business, particularly with non-mutual investors such as pension schemes, insurance companies and pension funds.

Firstly, we're seeing an increasing focus on co-ownership funds. This model offers institutional investors structural advantages when managing and developing their holdings, whether they are held via holding companies or directly. One example is a project with an institutional investor where we are incorporating a residential property portfolio worth over €2 billion into our Service KVG. Our expertise around sustainability and reporting is particularly relevant here, since we can only manage what we can measure. We see further potential here to acquire new mandates.

Secondly, we're seeing a renewed increase in demand for our legacy mixed funds from both existing and new investors. Accordingly, we're acquiring properties and currently handling several transactions. This shows that institutional investors are active again in the real estate market and also have confidence in our fund management and products, which is enabling us to develop our business.

Thirdly, we're seeing a number of very large mandate tenders for actively managed real estate funds – some worth up to €1 billion. We've rarely seen figures like that before, even in periods of low interest rates. Diversified fund strategies and office real estate are in demand especially in prime locations with the prospect of rental growth. Despite sometimes sceptical sentiment towards this asset class, some investors have identified a good entry opportunity. Fourthly, we're developing new fund strategies to leverage opportunities presented by the current market environment for investors. In the residential sector, for example, we're focusing on new-build quality in European cities and moving forward with our successful hotel fund strategy for business and 24/7 hotels.

What specific new fund strategies are you and your team pursuing?

We're guided by two factors: what do investors want, and what can we realistically and successfully deliver as a platform? One example is our planned residential fund focusing on Europe (ex Germany). Union Investment has been investing in specialist accommodation, such as micro-living, on behalf of institutional investors since 2017. In 2019, we started expanding our residential portfolio by acquiring new-build development projects in major European cities and now have assets under management of €1.2 billion.

Demand for residential properties remains high, with competition also strong. Our approach is clear here: a focused product that centres on traditional residential use – avoiding specialist sectors such as student housing and long-stay formats. That sets us apart in a competitive market. We are also evaluating niche topics. We already have a successful fund in the hotel segment and also include hotel properties in diversified funds – we're currently in the middle of such a transaction. In the office segment, we aim to leverage our club deal expertise specifically for institutional investors. We advise our investors to take advantage of the current market environment with its attractive prices to make long-term investments in very good locations.

Why is residential in Europe so attractive to institutional investors?

Many institutional investors in Germany have already significantly expanded ▸



€20.1 billion
Assets under management in Union Investment's institutional real estate solutions.



39
Number of Union Investment real estate funds and vehicles for institutional customers.

Source: Union Investment, 30 June 2025



Photo: Union Investment

Maximilian Brauers is aiming to further strengthen the position of Union Investment Institutional Property GmbH and its institutional real estate business. New fund strategies and club deals are part of this drive.

their domestic exposure to residential property. In European metropolitan areas, we see broadly similar demographic and economic conditions for new builds and recently constructed buildings, but with different regulatory, cultural and geographic factors. These differences enable useful diversification, both within a portfolio and also in terms of risk management.

Last year, you secured an important mandate that is now being implemented. What's the story behind that?

We're delighted to have been awarded a high-value mandate through a tender process. The fact that we overcame tough competition is powerful validation of our market position and value proposition. An institutional investor wants to transfer its German residential property portfolio, which is worth up to €2 billion, to a special fund. We will be doing this in stages and aim to have transferred the first triple-digit million amounts by the end of the year.

What are your objectives for the 2025 financial year and beyond?

A key objective is to acquire more individual mandates through tenders to further strengthen our market position.

We're also working hard on developing new fund strategies geared to current demand and market conditions.

In addition, we want to gain new capital for our platform via club deals and implement attractive investment strategies (see article on club deals, pages 14–15). In a selective market environment, timing is crucial. If everything aligns, we can acquire assets together with our investors that really deliver in the long term – always with a focus on our fiduciary responsibility and the aim of creating long-term, stable value for customers.

Which investor groups are currently active in the transaction market?

We've been looking closely at German transaction activity, particularly the roles of buyers and vendors. The behaviour of family offices is striking: while they were mainly sellers between 2019 and 2021, they've increasingly been on the buyer side since 2022. We're talking here about high-profile transactions in Europe – prime locations in top cities like Berlin, Munich and Paris. Family offices operate independently of regulatory requirements and the capital market. They can invest flexibly with or without using debt. They're currently seizing specific buying opportunities to secure properties that offer long-term value.

That augurs well in the current stage of the market cycle. Nonetheless, it's important to stay grounded. Core properties in good locations with corresponding rental potential can currently be expected to deliver initial yields of four to five percent.

Thank you for talking to us, Mr Brauers.

Service KVGs: systematic commitment and vision

Union Investment's Service KVG team in Hamburg currently manages 22 mandates worth around €10 billion. The nine team members are generalists who cover a range of different investment requirements. By Christian Hunziker

If you ask Kirsten Ludwig what an average working day looks like for Union Investment's Service KVG team, she has to laugh. There's no such thing as a standard working day, she replies – every day brings new challenges and calls for a lot of flexibility. "We do make a plan," she says. "But then we look at our inboxes first thing and end up switching to something completely different." Ludwig – who joined the senior management team of Union Investment Institutional Property GmbH on 1 July 2025 – is talking about the company's Service KVG business, which is dedicated to meeting the needs of diverse institutional clients. The team comprises six portfolio managers, one administrator and a working student. It currently manages 22 mandates involving nearly 400 properties worth a total of around €10 billion.

The activities of German investment management companies (KVGs) are defined in the country's Capital ►



Kirsten Ludwig (centre) joined the Management Board of Hamburg-based Union Investment Institutional Property GmbH on 1 July 2025. Portfolio managers Christina Dirks (left) and Femke Lange (right) are two of the nine members of the Service KVG team.

Photo: Melina Mörsdorf

Investment Code (KAGB). KVGs manage German or foreign investment funds, with there being a distinction between internal and external KVGs.

Service KVGs handle the needs of substantial external capital

Both internal and external KVGs are responsible for collective asset management, acting for the account of the fund. However, unlike internal KVGs, Service KVGs outsource asset management (and potentially also other tasks) to third parties.

In accordance with this model, the Service KVG team does not manage Union Investment's retail real estate funds; it only works for outside investors – from regional Volksbanks to pension schemes and insurers.

A Service KVG essentially takes care of fund administration for the respective fund vehicle, which usually involves working closely with Union Investment's other specialist departments, including tax management, risk management and fund accounting.

The tasks of the Service KVG team also include reviewing due diligence reports and providing expert support for transactions. The scope of service can be adapted individually as required. Alongside asset management, property management is typically also outsourced, namely to leading partners who are established players in the real estate markets.

Broad range of single-investor funds, club deals and pool funds

The above description highlights just how diverse the tasks are. The team members' training pathways are equally varied. Kirsten Ludwig says she took the "traditional route": she completed a dual study programme in economics and worked for an audit firm for three years before joining Union Investment in 2009. Portfolio manager Christina Dirks is a business lawyer. After gaining her degree, she worked for an auditing and tax advisory firm and then spent nine years in asset management at a shipping company. Her colleague Enrico Meller trained as a real estate professional, worked for a large housing company and then studied economics, with internships in Germany and abroad. Femke Lange has a qualification in banking and specialised in the valuation of residential, commercial and agricultural real estate prior to joining Union Investment.

"Thanks to our different career paths, our team has a wide range of strengths that complement each other very well," says Femke Lange. Kirsten Ludwig says they "feed off each other, there's always someone who can help with a specific question." Each team member manages specific mandates, allowing investors to have dedicated contacts.

To be successful in this field, you need to have good communication skills as well as specialist knowledge. "I like the interface role and the interaction that's involved in Service KVGs," says Christina Dirks, who worked in the audit department for a year at the start of her Union Investment career, before moving to the Service KVG team.

She and her colleagues attend fixed meetings and also operating meetings with external managers and other business partners. These take place on a contractual basis and also ad hoc in response to issues that arise. There are also regular consultations with colleagues from other specialist departments to discuss matters including tax, legal and ESG issues relating to particular mandates. Importantly, the information must not be shared internally – neither by Kirsten Ludwig's team nor by the individuals at the internal or external interfaces. The Service KVG's documentation is likewise not accessible to the investment and asset managers of sister company Union Investment Real Estate GmbH.

Like the other portfolio managers in Kirsten Ludwig's Service KVG team, Enrico Meller is responsible for managing specific mandates.





Photos: Melina Mörsdorf (3), Fabian Glawe

There is a Chinese wall, i.e. a legally mandated barrier, between the Service KVG business with its wide range of single-investor funds, club deals and pool funds on the one hand and Union Investment's retail funds business on the other. "This ensures there are no conflicts of interest with Union Investment's active mandates," explains Kirsten Ludwig.

Professional expertise and communication skills are part of the job description

Service KVG business also calls for team spirit, adaptability and resilience, says Enrico Meller. Clients and business partners often have spur-of-the-moment concerns that require appropriate handling. Global developments such as interest rate changes or trade tariff discussions also have an impact on investment strategies. In addition, there are increasingly tough regulatory requirements and a general acceleration, which means that clients almost always expect fast responses. "Fund management covers many areas and is therefore a complex challenge," says Meller. The flexibility and agility of Kirsten Ludwig's team are winning over more and more clients – Union Investment's Service KVG business, launched in 2011, grows by one or two mandates a year, primarily from clients operating across Europe or internationally.

Kirsten Ludwig is keen to see more "good and healthy growth" going forward. "Our clients regard us as a high-calibre partner," she says, "backed by unique specialist expertise that enables fast and above all dependable decisions in the interests of our clients."

The Service KVG team comes together regularly for fixed meetings and operating meetings.

Main picture, from left to right: Femke Lange, Kirsten Ludwig, Christina Dirks; picture top right: Kirsten Ludwig; picture bottom right: Christina Dirks.







Welcome to the club

Club deals are gathering pace. And as competition heats up, more investors are joining forces to access sizeable assets, with Germany hovering on the brink of a landmark portfolio deal. By Sara Seddon Kilbinger



"The biggest challenge is finding the right deal because there are too few distressed assets on the market to hit the sweet spot of double-digit returns."

Tim Schomberg, Managing Partner, Kingstone Real Estate

With big deals remaining challenging to finance, more and more investors are joining forces to access club deals with a special edge: "We are continuing our club deal strategy for institutional clients," says Maximilian Brauers, the managing director responsible for sales at Union Investment. "Core repriced, prime locations and quality assets, spiced with some tasks for our asset management – things you lock in for eternity. From the perspective of institutional investors, club deals are as attractive today as they have always been."

Brauers cites the high level of transparency at the time of the deal and notes that clients can precisely determine which assets still fit into their diversified portfolio: "They can check for themselves whether other requirements such as social contribution or ESG requirements are met, and liquidity is easy to plan."

One potential club deal garnering interest is the Elbtower in Hamburg, according to Jochen Völckers, Principal at Avison Young: "It's a landmark building in the city and about a third of it has been completed. It's valued at around €1 billion and will comprise offices, a hotel and retail once completed." Construction began in 2021 and was halted in 2023 due to the bankruptcy of the main financier, Rene Benko of Signa Holding. It is believed that Dieter Becken – CEO of Hamburg property group Becken Holding – might be looking at acquiring it in a club deal, in what would be one of the biggest deals of its kind, should it go ahead. "The local authorities have an interest in the project being completed," Völckers says. "The main issue is that it still lacks a high-profile anchor tenant."

For Alexander Eggert, Managing Director of HIH Invest Real Estate, club deals represent a great way to spread the risk: "Investors like to do cherry picking, so they can either acquire a property on their own or acquire just the 'cherries' by doing a club deal," he says.

Major residential investments attract club deals

Private wealth investors are becoming more active because of lower prices, according to Tim Schomberg, Managing Partner at Kingstone Real Estate: "We are very interested in club deals," he says. In June, Kingstone acquired an office building in the central Neuhausen district of Munich in a club deal with several investors. Located at Nymphenburger Straße 70, the property was sold by a private investor for a price in the double-digit million euros range. "We look for deals in the range of €10–€50 million. So far this year, we've invested around €70 million in club deals."

In particular, the residential sector is attracting more club investment, due to the sheer size of potential assets. HIH Invest Real Estate and German listed housing company Vonovia have created a couple of club partnerships with other institutional investors, including the acquisition with seven investors of a portfolio of 10 residential properties for €516 million and another such deal for €700 million with three investors. The portfolio of 10 properties includes

a student apartment block and serviced apartments, which were sold by Vonovia companies GSW and Buwog. Three of the properties are located in Berlin, two in Stuttgart, and one each in Hamburg, Leipzig, Dresden, Munich and Falkensee near Berlin. Over the past 12 months, HIH Invest Real Estate has executed club deals totalling around €1.8 billion.

Seizing attractive opportunities with top-notch investors

An important distinction is just how investors go about such deals today: "For us, a club deal is about finding the asset first and then we find the capital that wants to invest there," Eggert says. "The idea is not that we just buy the market. The idea is that we buy special investments, so we look for special opportunities, and to find these opportunities you have to find the opportunity first and the capital second. Today, club deals are done by pension funds, larger pension schemes, larger insurance companies, etc." What would the sweet spot look like for a club deal? Popular choices typically include residential assets in a new, well-located portfolio.

For logistics or offices, a single asset club deal is more typical, and for retail, retail centres that have 80 percent fast-moving consumer goods are ticking investors' boxes.

However, there are challenges, according to Brauers: "The number of transactions that are terminated during the exclusivity period and involve external costs for both sides – buyer and seller – is five to seven times higher than in the 2010s," he warns. "The reasons for this are usually uncertainty about pricing – those who hesitate are afraid of making the wrong decision – and attempts to buy time with external financing." Schomberg agrees: "The biggest challenge is finding the right deal because there are too few distressed assets on the market to hit the sweet spot of double-digit returns." Nonetheless, Völckers is optimistic: "I think we will see more club deals going forward on the part of institutional investors," he says. "Union Investment will do more club deals, as will groups like Hansainvest."

Ultimately, the key to success is "engaging the right investors at the right time," according to Schomberg: "You need top-notch investors and you need to be quick [to secure the deal]. Institutional investors aren't all back in the market yet but semi-private investors are and have an appetite for club deals. I'm in favour of club deals and we're seeing more of them, even involving institutional players."



"We are continuing our club deal strategy for institutional clients."

Maximilian Brauers, Management Board member, Union Investment Institutional Property GmbH



Photos: Kingstone Real Estate (2), Union Investment

Investment manager Kingstone Real Estate acquired a commercial property at Nymphenburger Straße 70 in Munich's Neuhausen district in June 2025 together with several private wealth investors.

Synapses for infrastructure

Without private capital, it will be impossible to close the investment gap in the infrastructure segment. This creates opportunities for fund companies. Union Investment is actively seeking to leverage the natural cohesion between real estate and infrastructure. By Christian Hunziker









Photos: Getty Images (2), Shutterstock (2), Union Investment

€500 billion – that is the huge amount committed by the German government and parliament to upgrading the country's infrastructure. The recent decision to launch a debt-financed special fund marks the start of an investment offensive that is unprecedented in Germany's recent history. As Federal Minister of Finance Lars Klingbeil put it: "This will deliver an urgently needed modernisation boost for our country: for good schools, daycare centres and hospitals, for modern railway lines, bridges and roads, for climate action and digitalisation." The scale of the required investment is formidable. The 2025 KfW Municipal Panel survey puts the investment backlog in German municipalities at €216 billion, an increase of 16 percent on a year ago. A study commissioned by Union Investment and published in 2024 estimates that around €400 billion is needed for investment in Germany's motorway, railway and energy infrastructure alone.





At global level, meanwhile, the amounts are truly staggering, with recent modelling by Aberdeen Investments suggesting that the world's 28 largest economies need to invest around $64 trillion in physical infrastructure by 2050.

Private investment through European Long Term Investment Funds (ELTIFs)

Accomplishing this with state funding alone is simply not possible. "Analysis shows strong and growing potential for private infrastructure investment," says Frank Engels, the member of Union Investment's holding company management board responsible for portfolio management. To tap into this potential, Union Investment launched the Uni-Privatmarkt Infrastruktur ELTIF in 2024. This fund is aimed at private clients and invests in a broadly diversified range of infrastructure (including the energy, transport and communications sectors). Other fund companies have also established European Long Term Investment Funds (ELTIFs) to channel private investor capital into infrastructure projects.

Open-ended real estate funds call for the cutting of regulatory obstacles

Providers choose ELTIFs rather than open-ended real estate funds as their vehicle due to regulatory reasons. Historically, open-ended real estate funds have been unable to invest substantially in infrastructure and energy projects. ►



"There is strong and growing potential for private infrastructure investment."

Frank Engels, member of the Management Board, Union Asset Management Holding AG

This was due to be changed by the Future Financing Act II (Zukunftsfinanzierungsgesetz II), but although the federal government submitted the relevant bill in 2024 it failed to pass into law before the Bundestag elections. The new legislation would have allowed open-ended real estate funds to invest up to 15 percent of their assets in renewable energy facilities without having to observe income limits.

Industry association urges changes to tax regulations

The German Investment and Asset Management Association (BVI) is calling for the "tax brake" to be released in order to encourage more private investment in infrastructure, and hopes that the country's new government will respond. The coalition agreement between the CDU/CSU and the SPD does indeed state: "We will create a framework in capital markets law for investment by funds in infrastructure and renewable energy that is legally sound and ensures competitiveness at European level. Tax regulations also need to be adapted accordingly."

Union Investment is following developments closely. "We will look at which infrastructure investments for the individual vehicles fit our portfolio strategy," says Frank Engels. "We may also launch a new vehicle for this purpose." Regardless of whether the Future Financing Act II is revived, it's also conceivable that Union Investment will offer certain services to third parties. Roof areas could be leased out, for example, thereby unlocking additional sources of income for investors.

Buildings work in partnership with infrastructure networks

Michael Bütter, Chairman of the Management Board of Union Investment Real Estate GmbH, comments: "We need a joined-up approach to real estate and infrastructure. Think of it like this: buildings are the synapses, i.e. the nodes where infrastructure's nervous system converges."

This reflects the insight that real estate never functions independently, but always in symbiosis with various networks (electricity, water, data) and good transport links. Properties also consume and generate energy. "There is a natural cohesion between real estate and infrastructure. And joined-up thinking is required – something we have been practising for decades in the neighbourhoods that we plan and manage," says Bütter. The

"We need a joined-up approach to real estate and infrastructure. Buildings are the synapses, i.e. the nodes where infrastructure's nervous system converges."

Michael Bütter, Chairman of the Management Board, Union Investment Real Estate GmbH



Photo: Sebastian Vollmert

example of other asset managers, from Commerz Real to Patrizia, also points to the natural connection between real estate and infrastructure. Such companies bundle the relevant activities on their platforms.

Stable cash flows, ESG, protection against inflation and diversification

Investment in infrastructure also offers advantages from the investor perspective. "This asset class has attractive features that include low volatility, protection against inflation, steady long-term cash flows and the ability to address environmental and social issues," according to Patrimonium Asset Management, a Swiss company with a long track record of operating in the infrastructure segment. Graham Matthews, CEO Infrastructure at asset manager Patrizia, also believes that stable cash flows, protection against inflation and diversification are crucial benefits for investors.
There are essentially four trends that support this asset class, explains Matthews. Firstly, there has been a growing need to tap private capital in order to close the infrastructure funding gap. Secondly, infrastructure is vitally important for achieving global decarbonisation targets. "Thirdly," says Matthews, "technological change is a strong tailwind for investment in new infrastructure." He cites the rise of artificial intelligence here as a demand driver for data centres. And lastly, recent geopolitical events have emphasised the need to re-shore critical infrastructure.



"We will look at which infrastructure investments for the individual vehicles fit our portfolio strategy. We may also launch a new vehicle for this purpose."

Frank Engels, member of the Management Board, Union Asset Management Holding AG

Union Investment is focusing on property-related infrastructure with an ESG dimension

It should be noted, however, that, infrastructure is a very broad term, covering everything from schools and hospitals to transport systems, street lighting, wind turbines and solar installations. Alongside other investments, Union Investment's focus is mainly on property-related areas, including renewable energy. The aim is to continue developing the company's own portfolio, to move away from fossil fuels and generate new revenue streams. Elements of social infrastructure are also moving up the agenda for Union Investment (see "Real-world trial for the medical mall" on pages 42–45 and "The DNA of 'S' districts" on pages 48–51). Union Investment board member Frank Engels comments: "These types of investment not only provide stable returns, they also contribute to sustainable development."

Southern Europe is becoming an economic growth engine

Rising tourism numbers, above-average GDP growth and lower energy prices are driving investors back to southern Europe. By Sara Seddon Kilbinger



Photos: Shutterstock, INREV, Colliers

Southern European real estate markets are firmly back on the map. As investment in some European markets stagnates in the wake of geopolitical crises and investor caution, southern Europe, particularly Spain, is bucking the trend.

Investor sentiment towards southern European markets continues apace, according to INREV. Spain has once again reached a record-high net positive sentiment score (39 percent), followed by Italy (24 percent). "While European real estate has maintained positive performance, market participants remain prudent, staying on the side of caution," says Iryna Pylypchuk, Director of Research and Market Information at INREV. "The rise and ongoing strength of southern European markets is most certainly positive news."



The Gran Vía in Madrid is the vibrant heart of the city. Theatres, shops and hotels featuring art deco façades and designs line this bustling boulevard.

Strong market data is boosting transaction activity in Spain

Real estate investment in Spain is forecast to grow by 15 percent this year to €16 billion, according to corporate client services firm Auxadi. The recovery of tourism, the evolution of interest rates and the high demand in the rental market are all driving investment. The cities leading the charge include Madrid, with strong demand for rental housing and development of offices and retail. Barcelona is especially attractive for residential tourism, involving renting property for extended stays, or buying it. Malaga is experiencing a boom in tourism and the arrival of technology companies. Valencia is benefitting from sustained population growth and accessible prices, and Seville from the expansion of the logistics and residential sectors.

Hotel properties are the most favoured asset class in Spain

Hotels have well and truly bounced back to become investors' favourite asset class in Spain, according to Colliers' Hotel Investment in Spain report, published in July. The hotel investment volume reached €1.76 billion in the first half of the year, representing a 20 percent increase year-on-year and the third-highest volume ever recorded for a first half, according to the report. "Hotels remain highly attractive given that Spain receives around 100 million tourists annually, and the financial performance of hospitality operators has been outstanding," says Alberto Díaz, Managing Director of Capital Markets at Colliers International. "Hotel rents are on the rise, making it an ideal moment to invest and reposition certain ▸



"The rise and ongoing strength of southern European markets is most certainly positive news."

Iryna Pylypchuk, Director of Research and Market Information, INREV

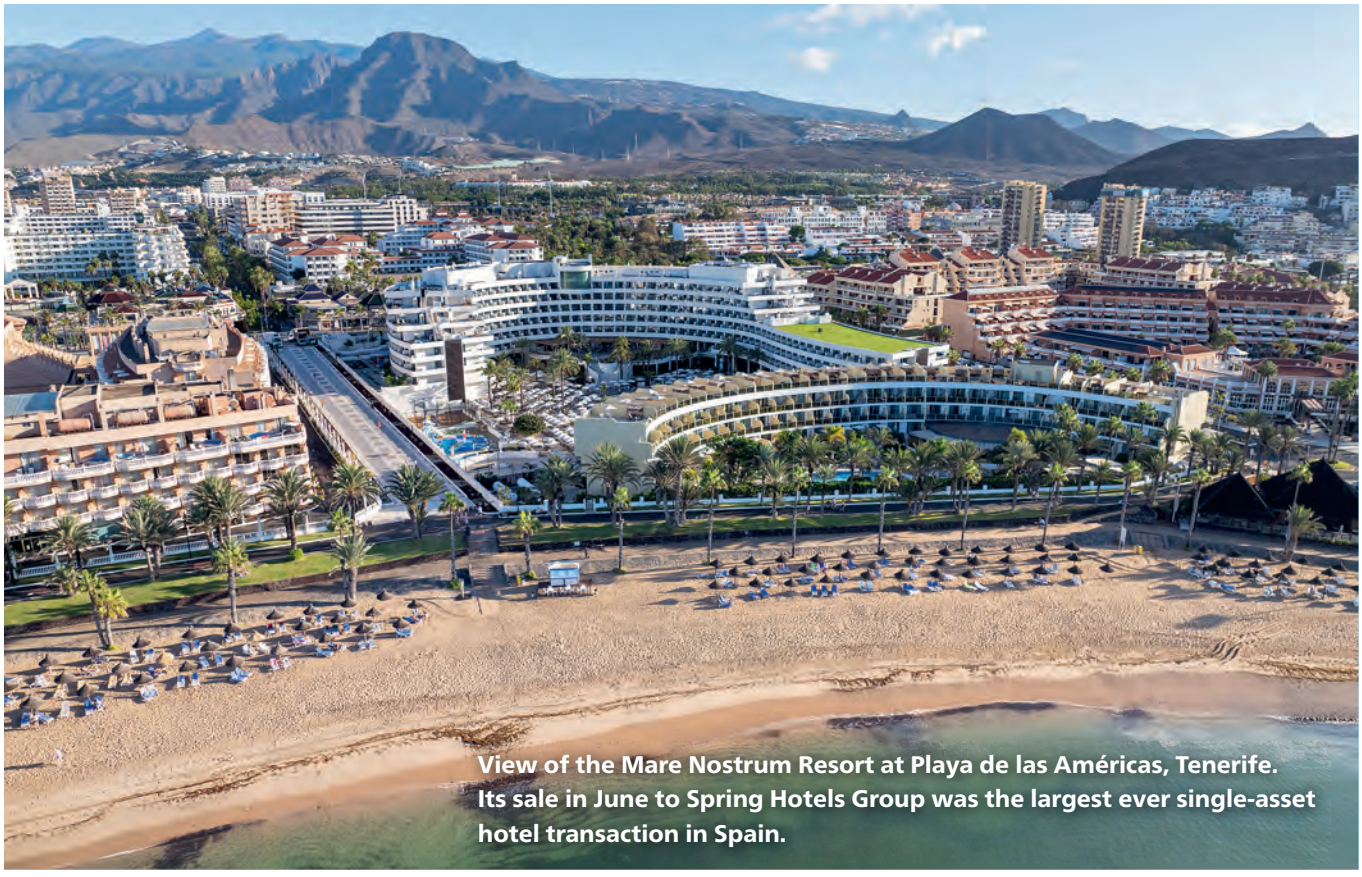


"Hotels remain highly attractive given that Spain receives around 100 million tourists annually, and the financial performance of hospitality operators has been outstanding."

Alberto Díaz, Managing Director of Capital Markets, Colliers International

View of Malaga showing the historic La Malagueta bullring and the harbour, with its mooring for cruise ships. The pier is the site for the David Chipperfield-designed Torre del Puerto hotel tower, which will rise to 144 metres. Construction is scheduled to commence at the end of 2025.





View of the Mare Nostrum Resort at Playa de las Américas, Tenerife. Its sale in June to Spring Hotels Group was the largest ever single-asset hotel transaction in Spain.

Photos: Shutterstock, Mare Nostrum Resort/Spring Hotels Group, Javier Sáenz

assets towards the luxury segment and enhance the existing hotel portfolio across the country."

Spain's biggest hotel deal to date: sale of the Mare Nostrum Resort

The Canary Islands lead the hotel investment stakes with €648 million in the year to date (37 percent of the national total), driven by the largest single-asset hotel transaction in Spain's history: the €430 million sale of the Mare Nostrum Resort in Tenerife to Spring Hotels Group in June. Domestic investors dominate transactional activity, deploying €1.12 billion into hotel assets and capturing a 64 percent market share. Barcelona ranked second with 12 deals totalling €377 million to date, including pan-European transactions such as Motel One, easyHotel and Generator Hostels, as well as the sale of prime assets like the Barceló Raval sold by Union Investment and Capri by Fraser.

"With these fundamentals in place, it is highly likely that 2025 will once again surpass the €3 billion mark, exceeding last year's total. This level of activity underscores the strength of Spain's hotel investment sector and consolidates the country's status as one of the most dynamic and liquid markets in both Europe and the world," says Gonzalo Gutiérrez, Managing Director of Hotels at Colliers. A total of 75 hotel transactions were completed, involving around 9,500 rooms. Of the total capital invested, 63 percent was allocated to the resort segment. The transaction pipeline for the second half of 2025 exceeds €2 billion, according to Colliers, with several high-profile deals nearing completion, including the acquisition of the Silken portfolio valued at around €200 million and Activum SG's purchase of the Fairmont Alcaidesa for €170 million.

Madrid is the clear leader in Spain's office market

Around €1.637 billion was invested in offices in Spain in the first half of the year, with Madrid accounting for 61 percent of the total. As such, this marks an increase of 112 percent compared to the same period last year, according to JLL. One of the standout deals was the acquisition of Claudio Coello 124 by a private investor for €37 million. In Madrid, there was 139,218 square metres of take-up in the first quarter of the year, a slight fall of 4 percent year-on-year. There are 289,507 square metres of offices under construction or being refurbished in the city that are due to be completed by the end of 2027, according to JLL.

Over in Barcelona, €37.4 million was invested in offices in the first quarter, including the acquisition by Barcelona City Council of the building at Sancho de Ávila 125. Take-up totalled 68,337 square metres, a 37 percent increase quarter-on-quarter.

Traditional CBDs and good secondary locations are in demand

"On the office side, institutional investors are mostly interested in the traditional CBDs of Madrid and Barcelona but the difficulty is that assets there are almost never brought to market," says Leticia Ponz, Head of the Madrid office and Head of Asset Management at Union Investment Real Estate GmbH. Ponz notes that core offices in Barcelona and Madrid typically belong to big SOCIMIS, which are similar to UK REITS, like Colonial, Mutua and Merlin, and once these assets are in their hands, they're unlikely to come back to the market.

However, less prime areas are feeling the strain: "I think good secondary ►



"Institutional investors are mostly interested in the traditional CBDs of Madrid and Barcelona but the difficulty is that assets there are almost never brought to market."

Leticia Ponz, Head of the Madrid office, Union Investment Real Estate GmbH

office locations will recover shortly, but the periphery in the big European cities is going to struggle for a long time," Ponz says.

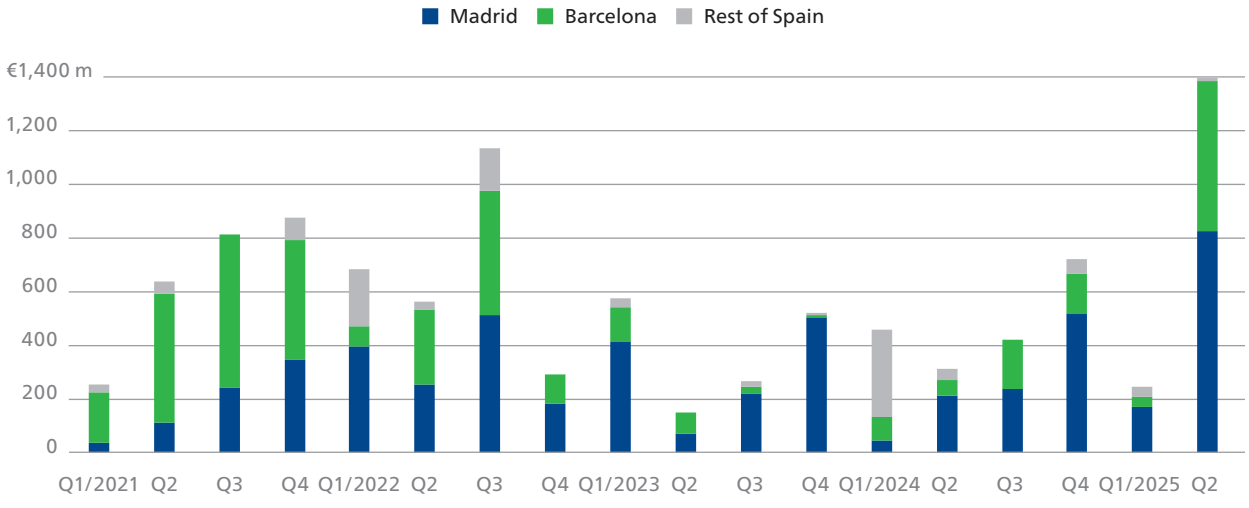
Sustainable leverage levels put Spain and Portugal in pole position

Following the financial crisis of 2008, Spain and Portugal underwent a profound adjustment process, particularly in the real estate and financial sectors. The creation of bad bank Sareb in Spain, the consolidation of banking institutions and the disappearance of savings banks, as well as the restructuring of numerous property developers and construction companies, drove structural reforms that led to greater professionalisation and recovery in the sector, according to Sergio Fernándes, Director of Iberian Capital Markets at JLL:

"As a result, Portugal and Spain now have lower and more sustainable leverage levels than other European countries, placing them in a stronger position to face potential economic stress," he says.

These structural factors are compounded by favourable economic circumstances: more contained inflation, GDP growth above the European average, more competitive energy costs and the continued growth of tourism, according to Fernandes. All of this has contributed to both economies attracting increasing attention from investors, consolidating their position as preferred destinations in southern Europe. Spanish GDP is expected to grow by 2.4 percent this year, according to CaixaBank, well above the eurozone's predicted 0.9 percent growth.

Office investments in Spain (quarterly, € million)



Source: JLL Spain, August 2025

Sharp rise: around €1.637 billion was invested in offices in Spain in the first half of 2025, with Madrid accounting for 61 percent of the total. This marks an increase of 112 percent compared to the same period last year.



Photos: Union Investment, JLL

The striking Barceló Raval Hotel in the heart of Barcelona: Union Investment added the 186-room hotel to its open-ended UniImmo: Europa real estate fund in 2013 and sold it in 2025 to Real I.S.

Residential investment volumes "could double"

The residential sector continues to capture investor interest, accounting for 31 percent of total investment in 2024. The estimated projected construction pipeline of nearly four million new homes between 2024 and 2039, along with the development of new living formats such as student residences and "silver economy" housing, reinforce this trend.

In June, Nido Living signed an agreement for the acquisition of Brookfield Asset Management's Iberian student housing portfolio Livensa Living, in a landmark transaction valued at €1.2 billion: "This means that overall transaction volumes this year are already ahead of those seen in the previous year," Díaz says. "Investor appetite remains extremely robust, particularly in key locations such as Madrid, Málaga and the Costa del Sol. The challenge lies in the acute lack of available product; with more stock on the market, current investment volumes could likely be doubled."

Barcelona's Passeig de Gràcia is highly popular with retailers

In the first quarter of the year, there were 13 new store openings in Madrid and Barcelona, with fashion and food & beverage accounting for almost 70 percent of total openings, according to JLL. The most sought-after street was Barcelona's Passeig de Gràcia, with five new openings.

Throughout 2025, around 270,000 square metres of retail space is expected to be delivered, mainly in the form of ▸



"Portugal and Spain now have lower and more sustainable leverage levels than other European countries."

Sergio Fernándes, Director of Iberian Capital Markets, JLL

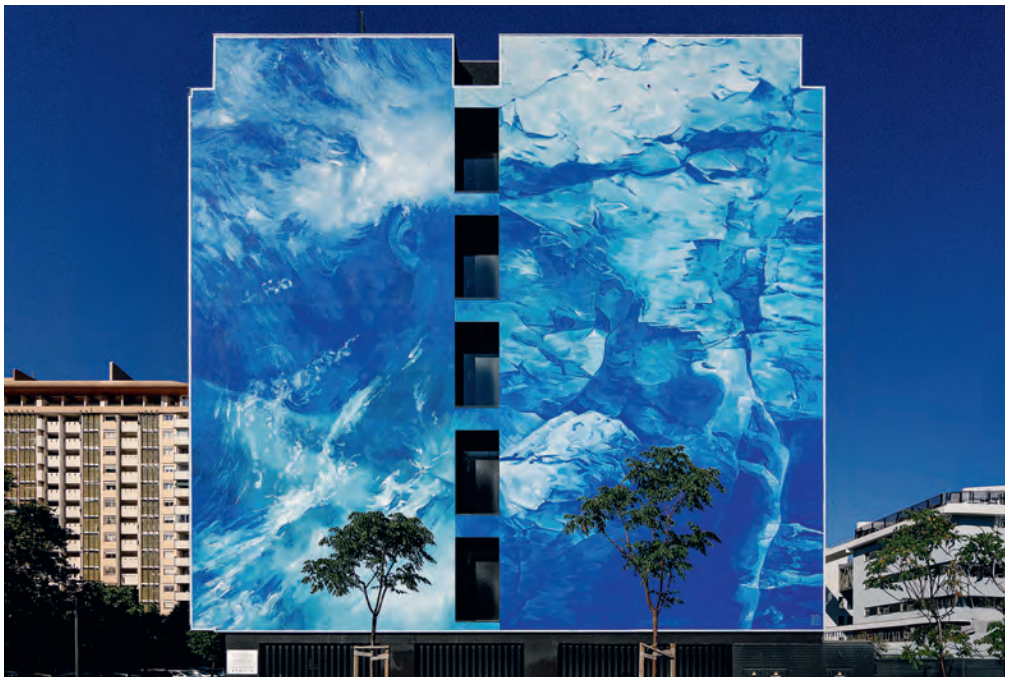
retail parks. The scarcity of prime space in both cities is pushing investors and retail tenants towards areas with high pedestrian traffic and more affordable rents, such as Barquillo street in Madrid and Carrer del Consell de Cent street in Barcelona. Prime high street rents in the first half stood at around €268.80 per sq m/month, according to JLL, compared to just €105.50 for shopping centres.

In 2004, prime retail rents in Spain on average increased to €267.50 per sq m/month, according to JLL. Retail investment in Spain amounted to €1.44 billion in the first half of 2025, a 25 percent increase year-on-year, according to JLL. Shopping centres continue to lead investment with 64 percent of the total volume. International capital represented 51 percent of the total investment volume. Core assets accounted for 46 percent of the total number of transactions.

Market players increasingly looking for investment opportunities

Currently, many investors are expected to divest from existing real estate portfolios, as they are invested in closed-ended funds approaching maturity and therefore need to rotate their assets, which should see more stock brought to market, according to Díaz: "Spain is experiencing an especially solid moment," he says. "Investor appetite is high, with a wide range of players actively looking to deploy capital in the country, and all asset classes are performing well. In this context, Spain is clearly ahead of most European markets in terms of real estate fundamentals." ●





In Portugal, the €1.2 billion sale by Brookfield to Nido Living included the Livensa residences Coimbra Rio with its "Half Gorilla" mural by Bordalo II (top picture) and Lisboa Cidade Universitária, featuring a blue mural by Belgian artist Iota (right picture).

Photos: Livensia Living/Joao Gaudenzi, Livensia Living

Restructuring of real estate project management at Union Investment

Union Investment reorganised its real estate project management activities as of 1 September in order to meet the increased demands of the market and deliver its expanded remit.

The Hamburg-based real estate manager is increasingly focusing on forward-looking topics such as managing renewable energy, pooling capacity to decarbonise existing properties and digitalising building systems. "Our aim is to create clear structures, regulate responsibilities transparently and pool expertise in order to maximise our contribution to the overall outcomes of our open-ended real estate funds," says Bent Mühlena, Head of Real Estate Project Management, explaining the rationale behind the reorganisation.

A new Strategy & Services team, led by Carolin Köllner, has been formed in order to bring together the relevant expertise. Technical implementation of sustainability measures and specialist interface management to support these activities are the priorities here.

There is also a focus on the coordination of funding, procurement services for property management and the tasks involved in switching buildings to renewable energy.

Successful upgrades to existing properties and in-house development projects remain vital for value creation as part of active management of Union Investment's real estate portfolio. In the first half of the year, six projects worth €1 billion went live. The project portfolio currently comprises 19 projects totalling approximately €3.2 billion. Transformation projects are particularly noteworthy here, such as that in Unterschleißheim (see article on pages 36–37).



Real estate project management has been restructured at Union Investment (from left to right): Bent Mühlena, Head of Real Estate Project Management, Carolin Köllner, Head of Strategy & Services, Sophia Pertig, Head of Germany, and Olaf Staiger, Head of International.

Major letting at Limbecker Platz shopping centre, Essen



Photos: Fabian Glawe, Union Investment

Comprising over 200 stores, Union Investment's Limbecker Platz in Essen is one of Germany's largest shopping centres.

Third letting success for Union Investment and ECE at Limbecker Platz shopping centre in Essen: the former Galeria space has a new anchor tenant in the form of Swedish fashion label Lager 157. Two big-name players, Peek & Cloppenburg Düsseldorf and Intersport, have already signed up to occupy the high-quality space. Lager 157 expanded into Germany for the first time in 2024. At Limbecker Platz, the label is taking around 3,000 square metres in the basement. The opening is scheduled for early 2026.

Busy times

High travel volumes supported another strong performance by European hotel operators in the first half of 2025. Operator acquisitions are on the rise and hotel transactions are also picking up after a slow start. Cautious hotel investors are returning to the asset class.

By Maria Pütz-Willems



Urban hideaway: The new Koenigshof near Karlsplatz, Munich, opened in June 2024. The Luxury Collection Hotel features a 20-metre-high glass atrium and an elegant roof-top terrace with a skybar and restaurant.

The outlook remains bright for the hotel industry, although there are a few clouds on the horizon. Tourism remains a major economic driver in the EU, as confirmed by the World Travel & Tourism Council in June 2025. By the end of 2025, the market will be worth nearly €1.9 trillion (prior year: €1.8 trillion), representing 10.5 percent (prior year: 10 percent) of the EU's economic output. Germany is even predicted to make travel and tourism history in 2025.

However, a closer look at the figures reveals that recent high demand in Europe is beginning to soften somewhat. Statistics for the key European cities show that average hotel occupancy rates fell slightly in 11 out of 14 cities in July 2025. Copenhagen and Stockholm are the only cities where occupancy rates were up compared to 2024.

Two sides of the coin: sales and profitability

Martin Schaffer, partner at MRP Hotels, offers the following reading of the situation: "Our clients are budgeting for a sideways movement because companies are looking to save money and so are consumers in terms of experiences. The consumer goods industry recognised this trend a while ago, and tourism is now feeling the effects as well. What's more, supply in the market is growing faster than demand. The wider public is being deceived by the fact that hotel chains are celebrating record sales, which is no surprise given the combination of inflation and growth. Hotel profitability, on the other hand, as measured by many operators' EBITDA sales margins, is at least one or two points below 2019 levels."

Within Europe, the clouds over Germany and Austria are still relatively benign. In both countries, the number of overnight stays flatlined in the first half of 2025. Somewhat more ominous clouds are apparent over major tourism regions such as Bavaria and Baden-Württemberg, and they have been gathering over Carinthia for some time. This will be partly offset by the traditionally higher number of overnight stays in the summer season, but there is still a long way to go before the end of the year.

Transactions: a noticeable upswing but no euphoria as yet

Stagnating or falling numbers provide an early warning with regard to both demand and transactions. "We saw a relatively slow start to the year throughout Europe," says Carine Bonnejean, Managing Director for Hotels at Christie & Co, summarising the latest figures from their research and analysis department. With hotel transactions totalling €10.8 billion, the first half of 2025 across Europe lagged the first half of 2024, when the total was €12.5 billion (equating to a decline of 13.6 percent). "That said, we're definitely seeing an upturn in ongoing transactions in the market and also off-market, and some portfolios – like that of Ireland's Dalata Hotel Group – are not included in the figures. There are still portfolios in play worth around €15 billion. So, overall we can be optimistic that the gap will be closed in the second half of the year and the figures for 2025 will end up close to those for 2024," says Bonnejean.

Germany bucked the wider European trend in the first half of the year, with business finally picking up again. According to JLL Hotels & Hospitality, the half-year figure for 2025 is €873 million – an increase of 102 percent on the first half of 2024, boosted by an impressive step up from the €320 million recorded in the first quarter of 2025. That represents a strong vote of ►



"The focus on operator acquisitions means supply in the hotel market is not growing as fast as it was, which is having a positive impact on performance."

Michael Lidl, Managing Partner, Treugast

Photos: Marriott International, Treugast



"Institutional capital is focused on large, highly creditworthy operators."

Philipp Linder, Director, Hotour Hotel Consulting

confidence from investors because the upswing suggests a new positive cycle is on the way. Helena Rickmers, Head of Hotel Investment at CBRE Germany, believes that the prime yield for hotel properties, which has stabilised at 5.25 percent (gross), is a significant trigger in this regard.

Ongoing cost pressure influences the choice of location

While hotels are increasing in value again, operators have mixed feelings about the months and year ahead. The gap between sales and profit continues to widen, with ongoing higher costs causing the biggest headache. The Austrian Hotel Association sounded the alarm in mid-August, stating that the competitiveness of the hotel industry was "under huge pressure". It said inflation was still 1.6 percentage points higher than the EU average and accused the government of burdening hoteliers with additional costs through new regulations, with taxation of public holiday pay and increased charges on tips driving up staff costs. Germany is also suffering with regard to operating profitability, compounded by a lack of destination marketing. Fans attending major events and concerts filled hundreds of thousands of beds at top-end prices last year and many foreign visitors spent added time in the country. The importance of events and leisure activities has now been recognised; these are becoming the most promising visitor magnets in urban and also rural areas. Every hotelier wants more of these revenue drivers.

With the highs and lows, the message to investors and operators changes. The current watchword is: take great care when choosing a location. That applies to city, business and leisure hotels alike, particularly in the DACH region. "Sustainable operating profitability now requires an even deeper understanding of the micro-location and market cycles plus a flexible operating strategy," says Hannah Struck, Senior Asset Manager at MRP Hotels.

The industry is beginning to change, there is now no proven blueprint

Operators are struggling with more negative trends than ever before – due to changing consumer behaviour, declines in MICE and business travel, high hotel densities in the same top cities, the impact of endless cost increases and operator acquisitions. However, the last item does have some positive aspects. "This year, the gap in the market has widened further," says Philipp Linder, director at Hotour Hotel Consulting in Frankfurt am Main. "There are some well-capitalised market players, both operators and investors,



Union Investment's four-star Meliá Paris hotel, situated in the La Défense business district, is one of the most beautiful and most modern hotels in the city.

who are significantly expanding their activities in certain markets. Others, meanwhile, are continuing to wrestle with familiar challenges and see their resources tied up in managing their existing portfolios."

The active group includes financially strong operators like Motel One, Premier Inn and B&B Hotels, who are making their hotel products and brands even more attractive to investors through consistent expansion (see also "The power of transformation" on pages 36–37). Hotour director Linder knows from experience that "these operators are really making waves. They're also helping to entice well-known institutional real estate investors back after an extended hiatus. Institutional capital is focused on large, highly creditworthy operators." And what about family offices? "With their long-term approach, they have always been there and never went away," says Linder. "Growing, profitable operating companies are also attractive to private equity investors, which further promotes growth and ensures that the gap continues to widen," adds Linder, with a nod to the recent acquisition of a majority stake in Motel One by Paris-based PAI.

Investors are being more selective and focusing on four cities

Hospitality consultant Linder sees a third gap opening up: more and more investors, and also some operators, would ideally like to be involved in just four of the seven top German cities, "and it's always the same four: Berlin, Hamburg, Cologne and Munich". These seven-day locations attract all visitor segments: events, conferences, business travellers and leisure travellers. Linder expects tough competition in these four cities among operators looking for a location and believes that investors have a strong hand in negotiations with operators and also potential buyers of their properties in the event of an exit. Overall, investors are sharpening their focus. Michael Lidl, Managing Partner at Munich-based consultancy Treugast, shares this assessment: "Investors are shifting to limited-service hotels and in some cases to serviced apartments. Full-service and holiday hotels are now barely economically viable as new builds." These two hotel types do, however, provide scope for conversion projects.

Kevin Meyer, director of Midstad, the Cloppenburg family office (as in fashion company Peek & Cloppenburg), underlines the need for clear strategies: "We only select locations where there is a proven need for a hotel. Our hotel projects are always in prime sites in our chosen cities and have a maximum of 150 rooms. Projects in less favoured locations are much more difficult to let and finance for office use or as hotels. They are therefore also much less viable in the transactions market."

Recent takeover wave is generating market momentum

For the first time, operating companies have been hoovering up other operators. Investment funds, private equity players, venture capital and even a tour operator are also investing in hotel operators, thus supporting growth through additional acquisitions.

How are the many operator deals changing the hotel landscape? Michael Lidl has this take: "The focus on operator acquisitions means supply in the hotel market is not growing as fast as it was, which is having a positive impact on performance. It also has agreeable side effects, including the fact that the labour market situation is improving somewhat for existing businesses. ▸

Photos: Hotour, Union Investment/Ralph Richter

The operators' view

Go online to see what hotel operators say about their investment opportunities and risks and their brand strategies.

Accor:
Yannick Wagner, Deputy Chief Development Officer Europe & North Africa

B&B Hotels:
Tobias Gollnest, Chief Development Officer Central & Northern Europe

DHI Dorint Hospitality & Innovation (Dorint Hotels):
Dirk Iserlohe, Chairman of the Supervisory Board

Marriott International:
Tim Zeichhardt, Vice President, Development Germany, Austria & Switzerland

When many new builds were opening, significantly more employees had to be recruited than is currently the case with operator acquisitions. The latter tend to lead to job cuts because new operators usually streamline the operating model." On the investor side, he adds, franchisors often finance such deals using key money. Lidl cites the IHG and Novum Hospitality deal in April 2024 as an example. By selling the Novum brands, Novum founder David Etmenan raised fresh capital which he is investing in establishing a new portfolio.

There is particular market interest around Ruslan Husry, founder and sole owner of white label operator Revo Hospitality, who initially targeted smaller groups and then reeled in a big fish: pan-European H-Hotels with 60 hotels and another 10 hotels belonging to H World International (formerly Deutsche Hospitality). Revo went from 190 to 260 hotels in 12 European countries, generating sales of €1.3 billion. Revo is currently the fastest expanding operator in Europe and announced further growth plans at the Hotels Tomorrow conference in Paris at the end of June. The intention is to really pick up the pace from 2027 and adopt a new business approach: no more white label and own brands, only franchise agreements with international brands. Husry's aim is a unique scalable system platform: "We intend to consolidate the fragmented European hotel market." He is planning to share the burden of further acquisitions by involving external investors for the first time, primarily institutional ones.

From Union Investment's hotel portfolio: budget design hotel Motel One, Brussels (top), and the Pullman Berlin Schweizerhof hotel in the German capital (bottom).





Photos: Antoine Deckers / Motel One, Hotel Pullmann Berlin Schweizerhof

Hotel room value returned to pre-pandemic levels in 2024

As mega-operators emerge, they are also seeking to achieve higher property values through market consolidation. Real estate analyst bulwiengesa and Union Investment calculate the value of hotel properties in Germany every year, based on hotel market data. Even without new builds, values rose by an average of 1.5 percent compared to the prior year.

The project paralysis seen in 2022/23 is now behind us, with 450,000 square metres being designated as hotel space in 2024 according to the latest bulwiengesa Development Monitor report. Redevelopment and new-build projects reached a total value of €64.3 billion (compared to €62.0 billion in 2023). In 2024, the average value per room was 4.8 percent up on the prior year at €152,000 and hit pre-pandemic levels for the first time (2019: €150,800). Lower-cost serviced apartments in particular boosted the figures.

Microgrids: energy self-sufficiency as an asset

With electrification and digitalisation putting pressure on national power grids, real estate-hosted microgrids offer local energy consumption independence, delivery security and further opportunities to decarbonise economies. By Paul Allen

Microgrids are small, local power grids. They supply properties in the immediate area with energy from sources such as solar panels and wind turbines.

April's Iberian power blackout – which Spain's energy minister blamed on grid operator REE for not having enough thermal power stations switched on and the failure of plants to regulate the grid's voltage – has prompted intense debate about how to ensure electricity system stability as demand grows and supply shifts to variable renewable energy sources. "Microgrids" offer one solution, giving real estate companies a way to secure local electricity supply while supplementing their income.

"Microgrids are well suited for business parks, large commercial buildings and industrial estates where there is potential for multiple types of on-site energy generation and diverse consumer demand," notes Marouf Pirouti, Head of Power Systems in the UK & Ireland with global architecture, engineering and consultancy company Ramboll, which provides real estate owners, industrial operators and infrastructure providers with support across the microgrid development lifecycle. ▸



Photo: Shutterstock

Global logistics property provider Prologis implemented a microgrid at Dimensio Almere, a Union Investment logistics facility in Almere, Netherlands. This energy self-sufficiency meant that the building went operational immediately after completion.



Photos: Union Investment/Ralph Richter, Union Investment, Prologis



"Microgrids make even more sense in neighbourhoods than in individual buildings. That is because of the variability of load profiles and the potential for synergies."

Henrike Waldburg, member of the Management Board, Union Investment Real Estate GmbH

Building users benefit from strong local security of supply

Microgrids are self-contained power systems that distribute electricity within a small geographic area, Pirouti explains: "They allow local generators and consumers to trade energy through Power Purchase Agreements, without relying solely on the main grid. This localised approach helps reduce pressure on national infrastructure, while improving energy security and affordability for users."

"Microgrids make even more sense in neighbourhoods than in individual buildings," notes Henrike Waldburg, a member of the Management Board at Union Investment Real Estate GmbH, "that is because of the variability of load profiles in energy consumption and the potential for synergies within individual sectors such as e-mobility."

Buildings as energy producers can also boost fund performance

Union Investment is developing a "buildings as energy producers" strategy with the aim of boosting property values and fund performance. Real estate companies are particularly well placed to host microgrids because they can make comprehensive decisions on infrastructure without being dependent on other owners, Waldburg observes. "Given the investment costs and long payback period, owners are particularly predestined for long-term investment decisions. However, the legal framework for energy law under which real estate companies operate is subject to constant change, which is often challenging in our position and must always be considered."

Small and local: microgrids generate, store and distribute energy

Resilience and cost reductions can be enhanced by tying on-site generation from photovoltaics (PV) or micro wind turbines with a single battery for energy storage shared by multiple tenants into the private grid, says Sahan Abeln, Head of EV Solutions at JLL. Such microgrid approaches can unlock otherwise often uneconomical PV investments to decarbonise the asset, generate 10–50 percent additional net operating income for landlords and reduce the burden on the national grid, he notes. "There are various constraints, and it won't solve all problems at all times, but this would mitigate short power outages, especially during the day, like that experienced in Spain."

Global logistics real estate company Prologis is developing modular and full-scope microgrid solutions designed to increase electricity access by complementing the public grid or, where necessary, to ensure full operational independence from it, says Melchert Duijve, Vice President, Energy & Sustainability Europe. Across Europe, projects of all kinds – whether industrial, commercial or residential – are increasingly

delayed or put on hold due to grid limitations, often for 5 to 10 years or longer, Duijve notes. On-site energy systems serve as critical progress enablers, allowing developments to move ahead and operate reliably, as well as offering location flexibility by ensuring businesses can select sites based on operational strategy, not grid availability, he adds.

"For example, in Almere [Netherlands] we implemented a microgrid in parallel with the warehouse development, ensuring the site would be ready for occupation without relying on future grid expansion."

Energy self-sufficiency allows greater independence in property operation

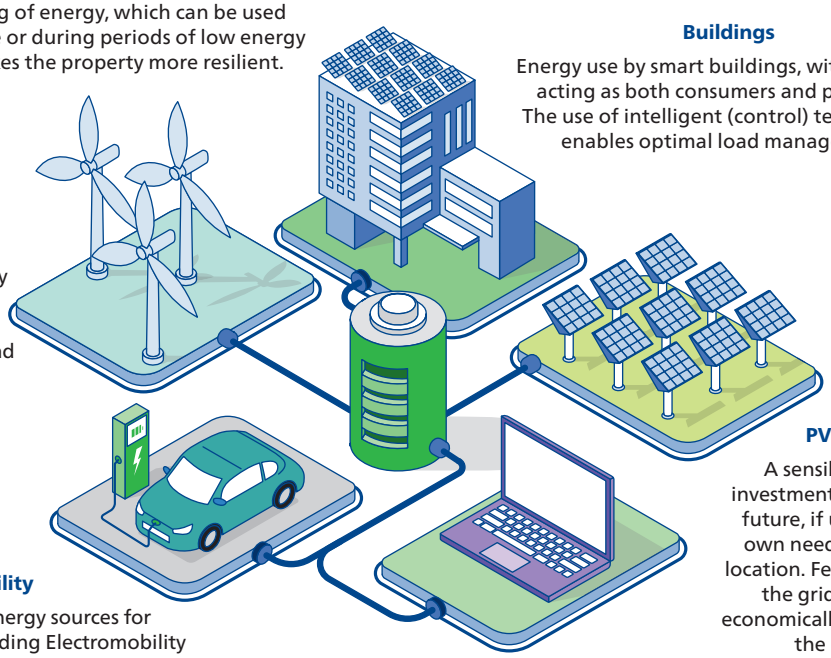
In most cases, Prologis' microgrid systems prioritise solar energy and battery storage, with additional backup sources such as gas or hydrotreated vegetable oil (HVO) integrated as needed to ensure uninterrupted operations. "While the long-term goal is to transition towards fully renewable zero-emission solutions, today's microgrids are about bridging the gap and enabling buildings to operate independently for extended periods as needed, and mitigating risks," Duijve concludes.



"Microgrids are about bridging the gap and enabling buildings to operate independently for extended periods as needed, and mitigating risks."

Melchert Duijve, Vice President, Energy & Sustainability Europe, Prologis

Buildings as energy producers: production and intelligent use of renewable energy sources on site



Storage media (centre)

Enable the stockpiling of energy, which can be used when energy prices rise or during periods of low energy generation. This makes the property more resilient.

Buildings

Energy use by smart buildings, with buildings acting as both consumers and producers. The use of intelligent (control) technologies enables optimal load management.

Wind turbines

Central purchasing and supply of sustainably generated electricity (mainly from wind turbines) to cover baseload electricity needs.

PV systems

A sensible and viable investment, including in the future, if used entirely for own needs or used at the location. Feeding energy into the grid is likely to be economically unsustainable in the long term.

E-mobility

Use of renewable energy sources for e-mobility (see also Building Electromobility Infrastructure Act, Energy Performance of Buildings Directive) and generating higher revenues (e.g. higher PV electricity sales prices of 30 cent/kWh).

Software for intelligent grid management

Requires an appropriate metering system, suitable intelligent software, a digital communications network and systems/consumers that can communicate accordingly.

Source: Union Investment, August 2025

The power of transformation

Union Investment and B&B Hotels are converting offices in Unterschleißheim, Upper Bavaria, into a business hotel with 93 rooms, in a move that is set to revitalise the Lohhof office park. By Fabian Hellbusch

Things are changing in Unterschleißheim. Union Investment has teamed up with high-profile international brand B&B Hotels to convert 3,400 square metres of vacant office space into 93 hotel rooms at Lohhof, an established office location. This attractive repurposing, just 20 kilometres south of Munich airport, will be of particular benefit to international office tenants at the site and in the surrounding area. The lease now signed between Union Investment and the French economy chain, which currently operates over 225 hotels in Germany, will run for 20 years. Alexander Zahrt of Deal Manufaktur brokered the transaction.

No comparable business hotel – from vacant space to location advantage

Union Investment's open-ended Uni-Immo: Europa real estate fund is investing some €9.6 million in the sustainable transformation of the office space, which is no longer required after Deutsche Pfandbriefbank moved out in 2019. The planning application is being prepared and the space is due to be handed over to the hotel in the third quarter of 2027.

Taking this step will enable B&B Hotels to gain optimal visibility for the brand thanks to the proximity to the A13 motorway while also benefiting from a direct suburban rail link to Munich airport and the city centre. B&B Hotels is filling a gap at Unterschleißheim, which currently lacks any comparable business hotel, as it continues its strategy of international expansion. The local authorities and politicians strongly support the development, and work is already under way. For potential tenants, longstanding existing tenants and newly acquired users Sauter-Cumulus and TenneT TSO, who occupy a total of 1,600 square metres of space, the addition of a business hotel represents a significant upgrade to what used to be purely an office location. There is also the prospect that following the signing of a lease



Union Investment's office ensemble in Unterschleißheim: one of the buildings (number 11, on left of picture) is being transformed into a B&B Hotel.

with a fitness centre, the location's reinvention could attract eatery operators and retailers.

Repurposing existing properties is a key asset management challenge

"The 2019 redesign of the former IT-Port complex and ongoing maintenance measures are now paying off. The strategy of sensitive transformation is starting to deliver results and actually creating new demand from office users," says Kristina Mattheis, Senior Asset Manager at Union Investment Real Estate GmbH. Union Investment is currently negotiating leases for a total of 3,000 square metres of office space. Opening up the previously closed location to public access is part of the conversion project and is helping to boost demand. The transformation from office to hotel was one of several options carefully considered by owner Union Investment. Converting the vacant office space into light industrial use, serviced apartments or residential was rejected in favour of a hotel that was a perfect fit for the location.

"The B&B Hotel will share a service core with the adjacent office building. This is a major advantage because we don't have to start from scratch – we can plug the building services into existing systems. That reduces costs and makes the conversion sustainable because we can mostly use existing resources," says Malte Schönbohm, technical project manager at Union Investment. The B&B Hotel will have 40 underground parking spaces. Ten more parking spaces outside will be fitted with charging points.

"By converting the office space in Unterschleißheim, we're taking advantage of the opportunity to fill a gap in the market at a well-connected location and also creating a sustainable hotel property. This project is the perfect example of our ability to transform existing properties into attractive hotels smartly and efficiently," says Tobias Gollnest, Chief Development Officer at B&B Hotels Central & Northern Europe.



"The strategy of sensitive transformation is starting to deliver results and actually creating new demand from office users."

Kristina Mattheis, Senior Asset Manager, Union Investment Real Estate GmbH





The Union Investment team comprising Malte Schönbohm (left), Matthias Schön (second from left) and Kristina Mattheis (right) meeting with Markus Bornemann of B&B Hotels (second from right) at the construction site in Unterschleißheim.

Photos: Henning Ross (2), Union Investment

Tourism magnets

Overnight visitors are reinvigorating footfall across Europe's shopping centres and high streets. And despite a weaker dollar against the euro in early 2025, there has been no sign of a slowdown in arrivals from the US. By Judi Seebus



Union Investment recently let space in its Alexa shopping centre in Berlin to Pop Mart (picture bottom left). Tourists are flocking to the new store, where limited edition furry Labubu dolls are sold in blind boxes – collectors don't know which figurine they've got until they open the box.

Photos: Union Investment/Ralph Richter (2), Volkmar Otto, Neuhaus Fotografie for Sonae Sierra





Air departures to Europe from the US rose by 6 percent year-on-year in the first half of 2025, according to the US International Trade Administration. American tourists, who make up the largest share of international arrivals in many major European cities, remain a critical driver of retail spending, says Chris Gardener, Head of European Retail at CBRE. "It's encouraging to see continued growth, at least so far this year."

Berlin has emerged as a clear beneficiary of the travel recovery. The city recorded 30.6 million overnight stays in 2024 – a 3.4 percent increase on the previous year and the highest level since 2019 – data from the Berlin-Brandenburg Statistical Office shows. That momentum has translated into strong performance for Union Investment's Alexa shopping centre on Alexanderplatz, one of Berlin's busiest transport hubs. At the end of 2024, the mall reported an impressive 99 percent occupancy rate.

Alexa is directly benefiting from the rise in visitor numbers. In both 2024 and early 2025, the mall saw a significant increase in international guests, many of whom consider Alexa a key part of their Berlin itinerary.

Shopping at Alexa is very popular with Berlin tourists

With a curated mix of global brands – including Hugo Boss, Lacoste and Stradivarius – alongside diverse dining options, seasonal events and entertainment, Alexa continues to attract both Berliners and tourists, explains Christine Hager, Management Board member at Sonae Sierra Germany. "Many brands choose Alexa to launch their first German stores, which further strengthens its position as a go-to destination." Across Europe, tourism spending generated an estimated €588 billion in 2024, according to CBRE. Meanwhile, Eurostat data shows that overnight stays in EU tourist accommodation ▸



"Business travellers from Asia and the Middle East are increasingly important, particularly for the luxury and premium retail sectors in cities like Munich and Hamburg."

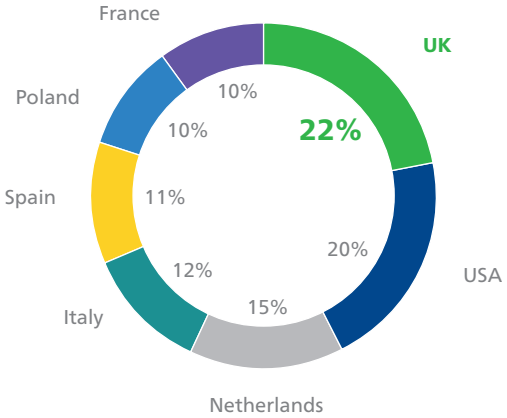
Christine Hager, Management Board member, Sierra Germany

Tourism in Berlin: number of overnight stays (millions)



Source: Berlin-Brandenburg Statistical Office, August 2025

Tourism in Berlin: top 7 countries of origin for overnight stays in 2024 (%)



Tourism in European capital cities such as Berlin is buoyant. Berlin recorded more than 30.6 million overnight stays in 2024 – a 3.4 percent increase on the previous year and the highest level since 2019, when the figure was 34.1 million. In 2024, the highest number of foreign visitors were from the UK (1.4 million) and the US (1.3 million).

topped three billion in the same year – a 2.2 percent increase over 2023 – with the bounce-back continuing into the first half of 2025.

Other Union Investment retail assets riding the wave of renewed tourism include its Palladium shopping centre in Prague and Puerto Venecia in Zaragoza. In fact, the Spanish mall exemplifies how large-format shopping resorts function as city-brand engines, enriching tourism, incomes, services and differentiation, according to an academic study on place branding from the University of Zaragoza. "Tourism benefits not only hotels and landmarks, but also shopping centres located in popular tourist areas," notes Cristina Santos, Executive Director of Property Management & Leasing at Sonae Sierra.

Both Spain and Portugal have also experienced a sharp uptick in visitor numbers in recent years. For example, Zaragoza alone saw a 7.5 percent increase in tourist arrivals in 2024. That growth reflects the Spanish government's efforts to alleviate overcrowding in coastal hotspots such as Barcelona by promoting inland destinations, Santos says. "The government is shifting its strategy to spotlight culturally rich inner cities. Zaragoza is a great example – it's beautiful, culturally vibrant and offers a wide range of leisure activities."

Snapshots of Union Investment's shopping centre portfolio: Manufaktura in Łódź, Poland (below) has some 300 retail units, …



while Palladium in Prague, Czech Republic, is home to around 200 tenants (right).



Photos: Union Investment/Slawek Luczak, Union Investment, Union Investment/Tony Matysik

Lifestyle, leisure, culture, co-working, events and luxury drive the consumer experience

Since the pandemic, shopping centres have evolved into lifestyle hubs and social destinations for families, Santos adds. "Shopping centres were truly stress-tested during Covid, but many are now outperforming their pre-pandemic sales." A rising number are becoming multifunctional, offering more than just retail. At Prishtina Mall in Kosovo, for example, Sonae Sierra has introduced "My Place to Work" – a dedicated co-working area equipped for quiet work and business meetings.

Major events are also having a measurable impact on retail performance in Europe: sporting tournaments, trade fairs and congresses are driving surges in consumer spending. The German Retail Association, for instance, estimates that the Euro 2024 football championship generated an additional €3.8 billion in retail sales – largely from food, beverages and fan merchandise. The retail sector is also set to benefit from growing global demand for luxury goods, propelled by rising wealth and a swelling population of high-net-worth individuals (HNWIs). According to the UBS Global Wealth Report 2024, the number

of HNWIs in France, Germany and Spain is projected to grow by between 12 and 16 percent by 2028.

Munich, Hamburg and Berlin serve different shopper groups

Germany is already seeing growing interest from affluent tourists from Asia and the Gulf region, says Hager. "Business travellers from Asia and the Middle East are increasingly important, particularly for the luxury and premium retail sectors in cities like Munich and Hamburg."

Berlin, however, caters to a different demographic. Known for its creative spirit and alternative culture, the city continues to draw a younger and more eclectic mix. "Berlin is famous for being poor but sexy," says Hager. "It's known for trendy bands, pop-up stores and a vibrant urban culture. That's exactly the atmosphere that Alexa embodies. It attracts a strong mix of young people and locals."

New Yorker expands with Union Investment

With more than 1,200 branches across 48 countries worldwide and 23,000 employees, international fashion chain New Yorker is expanding rapidly. The Braunschweig-based company is unusual because it is one of the few fashion retailers to only sell its goods in brick-and-mortar stores. New Yorker does not have an online store; the website is just a platform for information about new collections and activities. The shopping experience and contact with customers therefore take place exclusively in branches. This makes genuine interaction in stores with its clientèle all the more important for New Yorker, whose slogan is "Dress for the moment". Union Investment provides New Yorker with the perfect venues.

The German fashion brand is currently represented in 18 shopping centres within the Union Investment portfolio. As a strategic partner of the real estate fund provider, it has its strongest presence in Union Investment's centres in Germany, with eight stores, followed by Poland with five branches. New Yorker also has stores in Union Investment's shopping centres in Austria, the Netherlands, Belgium and Spain. The size of the stores ranges from 733 square metres in the Ferio Center in Konin, Poland, to 2,740 square metres in Köln Arcaden. The most recent lease was signed for space in Europa Galerie in Saarbrücken. "We value our longstanding partnership with Union Investment very highly," says Thorsten Meyer, Head of Expansion at New Yorker. "The modern design of the shopping centres, ongoing investment in infrastructure and a strategic focus on customer satisfaction create an excellent environment for us to successfully showcase our products."



New Yorker has 18 stores across Union Investment's shopping centre portfolio, including an outlet in Spandau Arcaden in Berlin.

Simon Splittgerber of Union Investment, meanwhile, stresses that "cooperation based on mutual trust, and active support from the asset management team, are also crucial" for further expansion in Union Investment's retail properties.

"We look forward to continuing our success in these first-class shopping centres," says Thorsten Meyer.

Real-world trial for the medical mall

Rheinpark-Center Neuss will be home to medical services as well as shops going forward. A highly motivated Union Investment team helped to make this innovative idea a reality. By Christine Mattauch with photos from Henning Ross



Walking through the future medical mall: architect and project manager Ina Kranz and asset manager Norman Naehrig of Union Investment are responsible for converting Rheinpark-Center Neuss into a combined shopping and health centre.

Photos: Henning Ross, Union Investment/Sona Studios/Archwerk

It was the moment the project hung in the balance: the first prospective tenant pulled out. Despite this setback, nobody involved lost faith. "We all agreed to keep going," they recall. Because this was not about just any office building or shop, it was about trialling a concept that is virtually unique in Germany: remodelling a shopping centre to create a medical mall that brings together retail outlets and medical services. Everyone knew that this pioneering project demanded commitment, stamina and an appetite for risk.

Flashback to 2022. At Rheinpark-Center Neuss, acquired by Union Investment in 2011 for its UniImmo: Europa fund, the Covid-19 pandemic and competition from online shopping resulted in rising vacancy rates. The second floor, comprising around 11,000 square metres, was a particular challenge. Norman Naehrig, the Senior Asset Manager at Union Investment with responsibility for the centre, saw the need for action. "When structural conditions change, properties need to be adapted to make them fit for the future." What was the best way to take the Rheinpark-Center forward? During his research, Naehrig came across an article in Harvard Business Manager that described the success of medical malls in the US. Patients benefited from convenient access to medical practices and wellness facilities, while adding the new tenants stabilised the malls' performance. Naehrig was fascinated by the idea, despite it being virtually unknown in Germany. Mülheim an der Ruhr was the only place in the country where a shopping centre was being repositioned as a "Forum Medikum", albeit under rather different circumstances.

Bold decisions enabled a new, creative use concept

Naehrig set out to convince others and approached his colleague, Ina Kranz. She agreed that the concept made sense, with synergies for patients and their relatives, who can combine medical appointments with shopping. Not to mention long-term rental income and the chance to create an innovative product story for the mall. Kranz was undeterred by the experimental nature of the concept. "I'm the kind of person who enjoys making bold decisions. Trying something new can often unlock great opportunities." A technical feasibility study showed that it would be possible to meet an important structural condition: light wells to ensure that doctors' practices and clinics on the ▸

The upper floors will accommodate healthcare services (see pictures below, animations): shopping can be conveniently combined with visits to the doctor, a specialist clinic, therapist or wellness provider.







Centre manager Marvin Schaber of operator ECE Marketplaces has been responsible for Rheinpark-Center Neuss since 2021. He sees the differentiation of the mall as an opportunity for existing tenants and customers alike.

Photos: Henning Ross (2), Janik Osthöver, ECE Marketplaces GmbH & Co. KG, Sona Studios/Archwerk

second floor receive adequate daylight. This was vital for creating a work environment that complies with German workplace regulations.

But what about the economic viability of the concept? Would doctors be willing to work there? And how lucrative is a medical mall compared to other options, such as offices or a hotel?

In the search for answers, Naehrig asked Regina Brandt for her assessment. As director of consulting firm Brandt & Partner, a specialist in healthcare real estate, she was able to tap her many contacts: "All the feedback I received was positive." This partly reflects the fact that the Rheinpark-Center is linked to the state capital, Düsseldorf, via a bridge over the Rhine, giving it a strong catchment area.

The mall is in excellent condition, features attractive architecture and has ample parking. It offers doctors good space configuration options and excellent visibility due to high footfall. A detailed location analysis rated the prospects of a "healthcare floor" as significantly better than alternatives such as offices or leisure facilities. Now operator ECE needed to be convinced of the benefits. As an experienced marketer, Marvin Schaber, who has been centre manager since 2021, recognised the opportunities offered by differentiating the mall. "Having a new perspective was also very important to existing tenants," he adds. A customer survey indicated strong approval for a medical mall. Union Investment gave the project the green light in April 2023, with Schaber informing retailers in September. The remaining tenants on the second floor moved down to the ground floor.

Winning over internal and external stakeholders

While Ina Kranz drove the conversion planning process forward, a start was made on what Norman Naehrig calls the "legwork": attracting new tenants from the healthcare sector. Given the scale and uniqueness of the project, management demanded that more than 50 percent of the space should be pre-let before making a final decision. "The hurdle was set deliberately high to ensure genuine market acceptance of the product," says Naehrig. Consultant Regina Brandt activated her networks. Centre manager Schaber invited doctors and local politicians to events, presented the concept at dedicated sessions and opened a showroom on the ground floor.

But as usual with new ideas, patience was required – doctors were reluctant to commit. Then, in summer 2024, the first tenant appeared to have been found: a urology practice looking to occupy 600 square metres. Talks reached an advanced stage, but the prospective tenant suddenly pulled out. The team members – who held regular video calls every two weeks – were naturally disappointed, but agreed that giving up was not an option.

Successfully pre-let: patience and persuasiveness pay off

There were also some very encouraging signs, though, such as "the great experience with the Hanselmanns," recalls Naehrig. The Hanselmanns, a young couple who are both dentists, were

In the roof area over the second floor, work is under way on 16 inner courtyards (approx. 900 square metres). These will allow the creation of around 8,500 square metres of workspace that is compliant with workplace regulations and also enable future third-party use for offices and/or social facilities (pictures at right).









Regina Brandt, director of Brandt & Partner, inspects the construction site with Norman Naehrig and Ina Kranz (above, from left to right). Advertising banners highlight the future use of the space.

enthusiastic about the concept and took just under 1,000 square metres. Things now started to happen fast. A specialist and therapy centre rented space, as did a clinic for long Covid patients, a physiotherapist and a yoga and wellness studio. Management gave the go-ahead on 15 May 2025. The project had cleared the last key hurdle.

"We're now on track and making it happen," says Naehrig. Assuming current negotiations are successfully concluded, the pre-letting rate will be 70 percent. He's quietly confident about wrapping up the last lease agreements. Ina Kranz can now ramp up on the construction side. "My busiest time is still ahead of me!" she says, laughing. There is no blueprint for an innovative project like this: "Solutions have to be pragmatic and fast." The trained architect has combined two construction phases due to time constraints, with two cranes being ordered instead of one. The biggest challenge are the light wells, 18 in total, which measure between 60 and 120 square metres. Kranz: "When the light wells and façades have been completed, everything will be fine."

A decision still needs to be made on rebranding the Rheinpark-Center. For now, the conversion is progressing under the working title "Mall of Life". Centre manager Schaber needs to redesign routes and consider future opening times, as most medical practices are closed at weekends. "The journey isn't over yet," he says. But the end of the project is already fixed, with the opening scheduled for early 2027.



Fitness and wellness drive footfall

Fitness and wellness have become essential elements of placemaking strategies. Gym operators are capitalising on this shift and expanding rapidly. By Judi Seebus

The sector's growth in Europe is reflected in the recent surge in leasing activity: fitness facilities experienced a jump of no less than 63 percent between 2021 and 2024, according to data from Cushman & Wakefield (C&W). And many operators are still in growth mode, says Catherine Stevenson, associate Cross-Border Retail & Leisure at Cushman & Wakefield: "I expect we will see saturation at some point. But for now, the market is still very active in many places."

Fitness and wellness offerings add value to commercial, office and residential buildings

Retail landlords in particular are increasingly adding gyms to boost footfall, extend dwell time and make their properties more experience-oriented – a key trend in the face of e-commerce competition.

Expansion spans luxury clubs (David Lloyd, Klay and La Montgolfière), budget gyms (PureGym, Anytime Fitness), innovative brands (Rocycle Studios) and staffless concepts (Basic-Fit). Accessibility and convenience are key, but climate plays a role too, Stevenson adds. "In Spain, for example, it's common to find gyms in air-conditioned shopping centres where everything is under one roof."

The rise of fitness centres in retail premises is echoed in offices, where amenities are being added to boost post-Covid appeal – and also returns, notes Matt Ashman, Head of London Leisure & Restaurants, Cushman & Wakefield. "Our data shows offices with a wellness studio typically command three to five percent higher rents than those without. There's a clear shift towards lifestyle wellness."

Build-to-rent and co-living developments are likewise embedding amenities including infrared saunas, plunge pools and rooftop yoga as a core component of a property's social infrastructure, observes Alex Ozga, Associate Director, European Research at CBRE. "These features are no longer considered luxury – they are fast becoming standard in competitive residential markets."

Union Investment is also integrating fitness concepts to energise its retail and office portfolios and promote community wellbeing and healthier lifestyles. The company recently signed up Sports Club at its Sophienhof mall in Kiel and earlier this year agreed a second lease agreement with Lifestyle Clubs, which operates the Evo Fitness brand, at its properties in Dresden and Wiesbaden. Meanwhile, Step Sports is a tenant at its Engineering Park in Stuttgart.

Clubsportive at Union Investment's ITO office tower in Amsterdam offers a wide range of courses. The facilities include a 25-metre pool (left and middle pictures).

A Sports Club branch has opened at the Sophienhof mall in Kiel, which is a Union Investment property. Members benefit from significantly expanded training space compared to the previous operator (picture at right).



Photos: Getty Images, Union Investment/Henning Kreft, David Stegenga, Sports Club Meridian Kiel GmbH

Specific needs require changes to buildings

Gyms are typically large occupiers, requiring anywhere from 500 to 5,000 square metres of space, reinforced flooring, high ceilings, robust acoustics and high-efficiency HVAC systems. But membership capacity, peak demand and churn directly influence the rent operators can afford, C&W's Ashman adds: "Hence the frequent preference for basements or alternative, non-prime locations."

While fitness centres can fit into various property types, converting older or non-purpose-built buildings poses significant challenges. Office-to-gym conversions encounter similar hurdles to those facing retail retrofits but must often also contend with structural columns that disrupt the open-plan layouts essential for gym operations. That has not been a problem, however, for premium brands like Third Space in London. Indeed, this high-end health club operator has embraced these redevelopment challenges as part of its brand identity, transforming character buildings like its Soho studio into a flagship wellness destination, notes Chris Gardener, Head of European Retail at CBRE. "In contrast, budget operators such as PureGym typically favour more adaptable, cost-efficient spaces like retail warehousing or edge-of-town retail parks."

High fit-out costs translate to longer leases

High-end brands generally seek long leases including landlord capital contributions or rent-free periods to offset high fit-out costs, he adds. In the mid-tier end of the market, franchised brands tend to secure less tenant-favourable terms due to weaker covenants.

The rise of athleisure-oriented retail, typified by brands like Lululemon, alongside fitness centres suggests that wellness is evolving into a permanent lifestyle pivot across Europe, and indeed globally, C&W's Stevenson concludes: "It feels like a cultural shift rather than a popular trend that may be short-lived. I think it's here to stay."

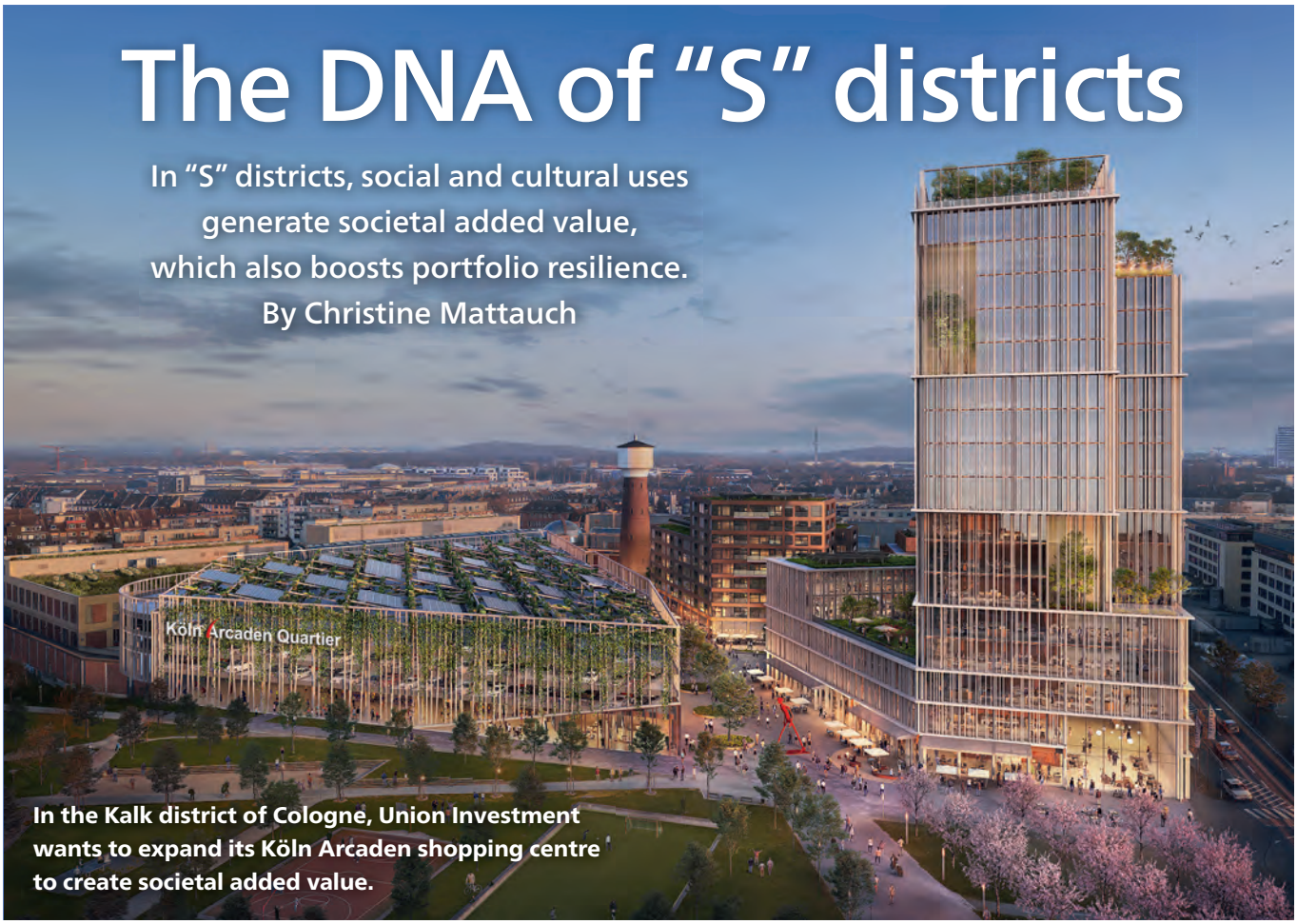
71.6 million members belonged to health clubs in Europe in 2024 – up four million on the prior year.

Source: Europe Active and Deloitte, European Health & Fitness Market Report 2025

1,500 clubs across six countries are operated by Dutch company Basic-Fit. It is the European market leader with a membership base of over four million.

The DNA of "S" districts

In "S" districts, social and cultural uses generate societal added value, which also boosts portfolio resilience.
By Christine Mattauch



In the Kalk district of Cologne, Union Investment wants to expand its Köln Arcaden shopping centre to create societal added value.



A district with social and cultural infrastructure is emerging on the site of a former tobacco factory in Bremen.

Photos: Astoc Architects and Planners, Justus Gosse Immobilienunternehmen, BNP Paribas REIM Germany

What was once Europe's biggest tobacco factory is now fast becoming a showcase district. Some 100,000 square metres of commercial space and over 1,000 apartments are being built on the 20-hectare site in the west of Bremen. The associated infrastructure includes retirement apartments, a five-hectare park, a neighbourhood hangout and a nursery, alongside an Arts Centre comprising affordable artists' studios, a comedy theatre and a concert hall.

Diversified districts contribute to social stability

Developer Justus Grosse planned this unusual mix with a view to the residents – but also with an eye on the product. "For us as a family-run SME, it really matters that the district should be attractive in the long term," says CEO Simon Rott. "We consider it incumbent on us to create added value for the city." Accordingly, the aim from the outset was to build a mixed-use district with integrative offerings as the "keystone", he adds.

Embedding social and cultural uses in commercial real estate projects offers a number of benefits. If developers and investors get it right, they can contribute to social stability, while simultaneously diversifying their portfolios. "A mix of uses makes a district more attractive, boosts demand and means that cash flow is less dependent on the state of the economy," says Isabella Chacón Troidl, CEO of BNP Paribas REIM Germany. The resilience of such projects means greater earning opportunities, "including a better exit factor", Chacón Troidl notes. From her point of view, it makes sense for developers and investors to incorporate social infrastructure into this mix: "It's the cement that binds society together and no district should be without it."

There is no established definition of "S" districts, nor do regulators have a fixed view. Henrike Waldburg, a member of the Management Board at Union Investment Real Estate GmbH, associates the term with sustainable districts and cities that offer people added value over and above the social and functional mix, in short: "districts that are geared to people's needs and offer security through good planning."

Showing the way: the UN's Sustainable Development Goals

The points of reference here are the Sustainable Development Goals of the United Nations, especially SDGs 3 (Good Health and Well-being), 10 (Reduced Inequalities) and 11 (Sustainable Cities and Communities). Torsten Bölting, Managing Director of the Institute for Housing, Real Estate Management, Urban and Regional Development, talks of an "infrastructure of common interest", which delivers a "return on investment for cities" in addition to profit for commercial real estate actors.

Union Investment shares this sense of responsibility. "We pursue an innovative and participative approach that focuses on the needs and perspectives of stakeholders," Waldburg says. Tailored solutions that reflect the specific context of the property and create real added value are crucial, she adds. As in Cologne's Kalk district, where Union Investment is planning to expand the Köln Arcaden shopping centre. Unnecessary car parking space is set to be transformed into a district with 108 residential units and additional age-appropriate accommodation as well as care places, a nursery and offices.

Granular location analysis and a consensus with the city authorities are key

A good mix of facilities creates synergies that benefit everyone involved. Some clusters would appear obvious, such as the combination of retirement accommodation, care institutions and medical facilities. But Thomas Schmalfuß, Head of Commercial Property at the German Property Federation, warns that the solution isn't that simple: "There's no blueprint." He also recommends a granular analysis of the location, adding that reaching consensus with the city authorities will be helpful – and also make it easier to ►



"A mix of uses makes a district more attractive, boosts demand and means that cash flow is less dependent on the state of the economy."

Isabella Chacón Troidl, CEO, BNP Paribas REIM Germany



The Monaco office building will form part of Munich's Werksviertel district. It will benefit from an exciting micro-location where people can work, live, relax and enjoy a cosmopolitan scene.

operate the district. In Bremen's Tobacco District, for instance, the city is sponsoring residences for artists, and the developer is funding affordable initial rents for start-ups. The social and cultural offerings play an important role in ensuring acceptance of the former industrial site as a new part of the city. "These offerings are attracting people who wouldn't otherwise be interested in working or living in the Tobacco District," says CEO Rott.

An authentic mix creates new in-demand districts

In Berlin, developer Wohnkompanie is taking a similar approach with its Go West commercial district. A cinema, a nursery, a market and an urban farm are planned for the 7.4-hectare site, along with offices and artisan workshops. Another example is eastern Munich, where Werner Eckart, who inherited the site of the former Pfanni factory, made social diversity a priority from the outset. This included choosing to build rental apartments only, with no option to buy. Alongside state-of-the-art offices and hipster bars, the Werksviertel district now boasts multigenerational living, an urban alpine pasture with sheep grazing area, a theatre and a climbing hall, while a charitable foundation is running education and inclusion programmes to reach the socially disadvantaged.

Chacón Troidl believes this authentic mix has enabled the transformation of the Werksviertel site into a happening district that also attracts conservative office tenants: "They are equally interested in offering their staff plenty of amenities." Elsewhere, Lokhöfe Rosenheim, an inner-city development that extends over

some 10,000 square metres, scores highly in the demographic change department with its interesting mix of uses, covering retirement accommodation, student flats, retail, offices and a hotel. The collaborative project involves three partners. S&P Commercial Development is developing the office, retail and hotel side, while Instone Real Estate has taken on the student apartments and Bayerncare is handling senior living. The plan includes extensive greening with courtyards, pocket parks and a sizeable "sky forest" to create space for encounters and promote social cohesion.

Saving costs with infrastructure that serves the common good

"Having diverse and vibrant infrastructure reduces the risk of not being able to market projects at all or having their appeal limited to specific target groups," Bölting says. Also of benefit is the fact that residents tend to treat "their" district with more respect. In a study by the Federal Institute for Research on Building, Urban Affairs and Spatial Development, a private residential property firm estimated the savings made by having infrastructure aligned with the common good at three percent of operating costs.

Public involvement can offer clues as to which facilities are needed and boost the acceptance of change. In the case of the Tobacco District in Bremen, the developer invited local residents to take a walk around the site, and held a number of open days. With Union Investment's plans to widen the use of the Köln Arcaden shopping centre, people were able to make their wishes known as part of a planning workshop. Bölting warns of the dangers of excessively high expectations, however. "Public consultation assumes a desire for consensus and a positive attitude towards the idea of the common good. People don't always understand that."



"Having diverse and vibrant infrastructure reduces the risk of not being able to market projects at all or having their appeal limited to specific target groups."

Torsten Bölting, Managing Director, Institute for Housing, Real Estate Management, Urban and Regional Development (InWIS)



Lokhöfe in Rosenheim: The former railway marshalling yard in the north of the city is being transformed into a dynamic urban district with a wide range of possible uses.

Photos: Rock Capital Group/MVRDV, Imogent, Frauke Schumann

Investing responsibly



Photos: Montag Stiftung Urbane Räume/Simon Veith (2), Montag Stiftung Urbane Räume/Jann Höfer, Drees & Sommer

The BOB Campus in Wuppertal received the 2025 German Urban Development Award. The former industrial site is now a vibrant neighbourhood with facilities for education, work, living and community activities. In the view of the jury, the project impressively demonstrates "that urban development can shape an equitable environment and the common good".





Commercial properties help to shape our cities. High-quality office buildings and attractive retail spaces are viewed as essential. The real estate industry is increasingly making a societal contribution through sustainable commercial districts, certified green buildings and the refurbishment of existing buildings. By Ulrich Nagel

The biennial German Urban Development Award recognises outstanding real estate projects that contribute to social urban development. This year, the jury awarded the prize to a former industrial site in Wuppertal that is now home to the BOB Campus, a mixed-use neighbourhood with facilities for education, work, living and community activities. The associated investor, Montag Stiftung Urbane Räume, is committed to putting "projects that are aligned with the public good on an economically viable footing".

Are commercial returns compatible with social returns?

These building projects clearly have a positive external impact, but what is the relationship between social returns and the bottom line? Do the criteria of full participation, generous green spaces and cultural and social facilities – which are all essential for achieving a social return in commercial districts – automatically mean a reduction in profitability? Franziska Steinke, Sustainability Manager at Wöhr + Bauer, is very clear: "If the commercial return isn't right, there will be no social return either". In other words, if there are no tenants willing to pay higher rents for social and ecological aspects, there are no compelling investment incentives to get a project off the ground.

However, there are such tenants out there, says BEOS Executive Board member Hendrik Staiger: "Some creditworthy users can only be acquired by offering cultural and leisure offerings on site." The Berlin-based commercial property developer's projects include Carlswerk in Cologne's Mülheim district, which features a privately run theatre. The former site of one of the world's largest cable manufacturers is now a commercial neighbourhood with modern offices, restaurants and cultural and leisure facilities that invite public access.

Investing in commercial property while being aware of a responsibility for liveable urban spaces is a principle that is increasingly gaining traction in the real estate industry. In a 2022 market study, Bundesinitiative Impact Investing found that real estate accounts for 10 percent of the €40 billion of investments in Germany that have a wide-ranging social impact. Investors like Next Generation Invest are focusing on investments with a clear social return by choosing to get involved in new urban eco-districts and educational real estate. The study also found that two-thirds of the 1,000+ investors surveyed aim to generate market-rate returns with their impact investments. Only 16 percent said they would be satisfied with below-market returns.

Common rating systems cannot reflect social effects

Many investors are ready to invest responsibly but still struggle with a lack of standards, as Joachim Wieland, CEO of Aurelis, explains: "We deliberately invest in social infrastructure. These quantifiable investments and activities contribute to the common good. However, the direct and indirect impact of this on social returns cannot be adequately captured in euros by existing rating systems." Marion Peyinghaus, director at consultancy CC PMRE and author of a study entitled "Social Real Estate Market Analysis", echoes this assessment: "Social criteria in particular are often ▸



"An independent rating system for the social factor would help the industry to achieve greater transparency."

Stefanie Lütteke, Partner, Drees & Sommer

considered to be undefined as yet. But there are brave developers who recognise the economic benefits of social criteria."

Addressing social aspects in harmony with ecological factors

Social factors can be taken into account more easily in conjunction with ecological criteria, says Henrike Waldburg, Management Board member at Union Investment Real Estate GmbH: "Social factors are very important and highly relevant, but they only work in harmony with ecological aspects. Ecological factors must therefore be prioritised and implemented first. This creates a solid foundation that enables social factors to have maximum effect."

It is not only neighbourhoods that serve as examples of responsible investment – individual commercial properties do, too, with attractive office buildings being particularly noteworthy. With its Timber Office project, a timber hybrid high-rise in Hamburg, northern Germany-based Volksbank BRAWO created a major incentive for the single tenant's employees to return to their desks. "The attractive office environment encourages employees to come into the office again," says Michael Mertmann, CEO of BRAWO Real Estate. This in turn increases the number of commuters, which is welcomed by city authorities.

Refurbishments likewise create engaging office environments and urban landmarks. Construction firm Apopro-

Carlswerk in Mülheim, Cologne: BEOS has created a new city district that includes urban meeting spaces. The cultural and leisure offerings were pivotal to attracting creditworthy tenants.







Photos: BEOS AG (3), AVW/ LH Architekten/BRAWO RE/Dorfmüller Klier, Aurelis

Timber Office Hamburg is a sustainable timber-concrete hybrid office building with a striking green ceramic façade and spacious outdoor areas. The highly energy efficient and environmentally friendly building in the Bahrenfeld district was completed in spring 2022.



jekt has calculated that over the period 2019–2027, around 2.8 million square metres of office space that has already been refurbished, or is due to be upgraded in the next few years, will come onto the market in Germany's seven primary cities alone. Most property holders undertaking such projects are aiming for DGNB or BREEAM sustainability certification. Figures from BNP Paribas indicate that €4.7 billion was invested in creating certified commercial properties in 2023. More than 3,200 commercial properties in Germany already have a green label.

No criteria for measuring dialogue between municipalities and developers

As an active contributor to urban development, commercial real estate investment provides multiple benefits for various stakeholders, especially cities. Widely accepted standards could boost this investment in the future: "An independent rating system for the social factor would help the industry to achieve greater transparency. Municipalities could also use this as a guide for more objective measurement criteria in dialogue with developers," says Stefanie Lütteke, partner at Drees & Sommer.

As things stand, the legal requirements set out in construction law are often rudimentary when it comes to the social added value of commercial developments, notes Jean-Marc Fey, CEO of Cube Real Estate: "We've come to the conclusion that it's wise to go beyond the legal requirements and fill in some of the gaps."

Economic and social benefits can be gradually brought together through collaboration between cooperation-minded municipalities and responsible investors. "What's crucial now is not to treat social return as a soft factor but to embed it strategically – in the product, in communication and ultimately also in investor logic. Anyone who commits to this will be better positioned in the long term," says Aurelis boss Wieland.



"What's crucial is not to treat social return as a soft factor but to embed it strategically – in the product, in communication and ultimately also in investor logic."

Joachim Wieland, CEO, Aurelis

Climate warrior Paris

When it comes to fighting climate change, Paris is taking bold action where other cities have struggled. Radical transport and greening policies are delivering major improvements in quality of life, but also creating problems. By Kathinka Burkhardt



As of this summer, the new patch of urban woodland on the historic square in front of the Hôtel de Ville is home not only to oak trees and hornbeams but also to particularly frost- and heat-resistant plants like the European hackberry.



Photo: Getty Images

When Mayor Anne Hidalgo looks out of the window of city hall in Paris, she probably gets a sense of real achievement. An urban wood consisting of 50 trees and 20,000 plants has turned the square in front of the Hôtel de Ville green in recent months, providing visitors with welcome shade and fresh air. As in many parts of Paris, the climate transition policy pursued by Hidalgo since 2014 has arrived on her doorstep.

The city on the Seine has become a climate change pioneer over the past few years, outstripping many other metropolises. Urban woodlands, garden streets, shady oases – radical transport and greening policies have seen Paris undergo a wave of construction and architectural renewal that is unprecedented since the rebuilding after the Second World War. But social inequality and resentment are growing among the residents even as quality of life improves significantly.

Urban development plan (PLU) calls for the de-paving of another 300 hectares

As the city whose name is synonymous with the 2015 global climate accord, Paris has long had ambitious goals. Cars with internal combustion engines will be barred from the city centre as early as 2030; a 30 km/h speed limit is already in place virtually everywhere, and parking charges for SUVs are €18 per hour. In addition, 40 percent of the city is set to be de-paved by 2040, along with a significant increase in tree cover – all with the aim of achieving net zero by 2050 at the latest.

"Together with societal acceptance of climate change, this ambitious climate strategy is also informed by the shared view that current climate protection measures will not prevent the temperature from rising in urban centres like Paris and that investment in adaptation measures is essential," says Elena Lutterkort, Head of Sustainability at real estate company Savills France. For the city's residents, climate change is palpable: summers in Paris are now hitting 40 degrees, leading to significantly more heat-related deaths than in other European cities. Temperatures of 50 degrees are possible by mid-century, according to experts. The Paris Climate Plan is thus mainly aimed not at the planet, but at residents.

Whereas asphalt, concrete and narrow, building-lined thoroughfares trap and amplify heat, trees and plants at ground level, on rooftops and on buildings can reduce temperatures by up to ten degrees. That explains why the PLU urban development plan approved by the city council in 2024 calls for the de-paving of a further 300 hectares in Paris – a feat of urban planning that will be hard to pull off in Europe's most densely populated capital.

But the administration under Mayor Hidalgo has a strong track record of getting things done – sometimes by unconventional means. During the Covid pandemic, cars were banned from major roads such as the Rue de Rivoli. What was initially billed as a temporary cycle and pedestrian zone was retained after the pandemic, without meeting major resistance. Most Parisians living in the city centre are in favour of this new transport policy. Just recently, they voted for another 500 "garden streets", where traffic is reduced to one lane or banned completely and parking has to give way to grass, flowerbeds, shaded areas and playgrounds.

Downside of the climate strategy: gentrification of green districts

This green metamorphosis is also causing social problems, however. Some 10,000 parking spaces will disappear, leading to anger and political unrest among commuters from the surrounding areas. Formerly gritty streets are now growing in popularity. Creating attractive ▸



4,000 square metres of woodland: Paris plans to counteract the summer heat by de-paving and greening inner-city spaces such as the Place de Catalogne in the 14th arrondissement.

Photos: Guillaume Bontemps/Ville de Paris, Studio Ledroit-Perrin, Gardel Bertrand/laif



"The PLU local development plan is exacerbating the scarcity of available land and potential conversion projects. This will put additional upward pressure on prices in the Paris office market."

Tania Bontemps, President, Union Investment Real Estate France SAS

green spaces, rooftop terraces and shaded areas is expensive for property investors and has fed through into higher rents. This is hitting poorer households, who are increasingly being forced to move away.

Supporting infrastructure measures and ecological showcase districts

The city is working on four extra metro lines with 68 new stations to render less desirable arrondissements more attractive and take the pressure off the housing market. "On the one hand, measures like these are supporting the switch to sustainable transport and also creating new urban centres, but at the same time they're making districts more attractive to investors because they are better connected and thus more appealing to renters," says Savills expert Lutterkort.

The climate strategy includes ambitious eco-districts like Clichy-Batignolles in the 17th arrondissement. A former rail yard has been redeveloped to create a new 50-hectare neighbourhood consisting of privately financed and social housing, social facilities, offices and commerce. At its heart is a ten-hectare park that offers residents fresh air and shade. Much of the district's low-carbon power and heat is provided by local photovoltaic systems and geothermal energy. The city's 10th and 11th arrondissements are likewise becoming increasingly popular with investors, particularly due to their proximity to major transport hubs (Gare de l'Est, Gare du Nord and Gare de Lyon). "These areas offer more scope for energy-efficient refurbishment, thanks to their lower proportion of heritage-protected Haussmann-style buildings," says Gabriel Binant, Project Director at Union Investment. And yet: "If you want to invest successfully in Paris, it's now essential to be on top of the planning regulations as well as the city's current administrative and legal framework."

Strict regulations notwithstanding, investment can be worthwhile

Reconciling legacy architecture with climate change adaptation is a balancing act. The sustainability criteria for the construction and renovation of buildings, which are in any case much more stringent in France, pose a challenge for real estate owners. "We've seen how some investors have pulled out of the Paris market due to the obligation to renovate and the associated costs," says Alexander Rausch, Head of Sustainability Consulting at JLL for the German-speaking coun-

tries. This opens up opportunities for players with longer investment horizons. "The major investment firms are perhaps a bit more reticent at the moment, but family offices are filling some of the gaps because of their ability to implement ESG policies completely differently over an extended period due to the multi-generational thinking behind their investment strategy," Rausch notes.

Just how complex a transformation can be is demonstrated by the bank building at Boulevard Haussmann 59, which forms part of Union Investment's portfolio. In addition to replacing the historic glass roofs and installing new insulation to optimise energy efficiency, the building was connected to the city's district heating grid while complying with strict heritage-protection rules as well as gaining a green space on its roof and 150 bicycle parking spaces around the building. The investment has paid off: "The new restrictive PLU local development plan, as it relates to the creation of office space, is exacerbating the scarcity of available land and potential conversion projects," says Tania Bontemps, President of Paris-based Union Investment Real Estate France SAS. "This will put additional upward pressure on prices in the Paris office market."

Daring to be greener: the demonstrable success of her policies is proving Anne Hidalgo right

According to data from Airparif, the independent measuring organisation of the Île-de-France region, particulate pollution has fallen by 40 percent in the last 20 years, while the concentration of nitrogen has declined by as much as half. Whether Paris will continue on the road to zero carbon is a matter for voters at the upcoming mayoral election in 2026, when Anne Hidalgo will not be standing. Regardless of the outcome, her green legacy across Paris will undoubtedly be around for visitors to admire for years to come.



Ambitious goals on the road to zero carbon for Paris

40 percent of the city is set to be de-paved by 2040, along with a significant increase in tree cover.



In the showcase eco-district of Clichy-Batignolles, new buildings meet high energy efficiency standards. The district also draws just under half of its electricity requirement from solar power, while 85 percent of its heating needs are covered by a geothermal plant that uses hot water extracted from 650 metres below ground.



Europe holds the green line

As the US grapples with political shifts – including President Trump's rejection of the concept of global warming and renewed withdrawal from the Paris Agreement – Europe is charting a steady course towards climate resilience, both at the policy level and across key industries, including real estate. By Judi Seebus

The EU's drive toward climate neutrality by 2050 is underscored by the revised Energy Performance of Buildings Directive (EPBD), which requires all new buildings to be zero-emission from 2030. Sustainability also took centre stage at the North American Conference of the European Association for Investors in Non-Listed Real Estate Vehicles in New York last June, according to INREV's Director of Public Affairs Jeff Rupp.

A clear message: Europe remains committed to its objectives

INREV is keen to send a clear message – particularly to its members in North America – that Europe remains steadfast in its engagement to sustainability, carbon reduction and the energy transition. Policymakers as well as most investors, fund managers and the broader industry share that conviction, Rupp claims: "Despite the political debate in the US, there is broad and unwavering support in Europe that this is the right path forward." With market recovery now getting under way across Europe, an economic incentive is also spurring investors to capitalise on emerging opportunities. Indeed, no less than 75 percent of fund managers polled at the IPE Real Estate Global Conference 2025 in Copenhagen in May signalled plans to reduce their US exposure in favour of Europe. Blackstone is spearheading the trend: in April, it closed BREP Europe VII with a record €9.8 billion in commitments – the largest European real estate drawdown fund to date.

Global investors regard Europe as a relatively safe haven

US and international investors more broadly increasingly view Europe as a relatively safe haven, confirms Rupp. Indeed, INREV is seeing signs of renewed interest from US pension funds based in progressive, "blue" states, as well as from Canadian and Asian institutions that typically allocate heavily to US real estate but may now be holding back if they feel they cannot invest in line with their sustainability commitments. The heightened global economic uncertainty ushered in by President Trump's push for a strategic decoupling from

China – and to a lesser extent Europe – is meanwhile clearly reshaping capital markets. But the shifting geopolitical landscape also presents selective opportunities for adaptable investors, claims Frank Engels, a member of the Management Board at Union Asset Management Holding AG. "Calmness should pay off. Lucrative investment opportunities can be found, especially in Europe."

EU streamlining initiative – the Omnibus Regulation

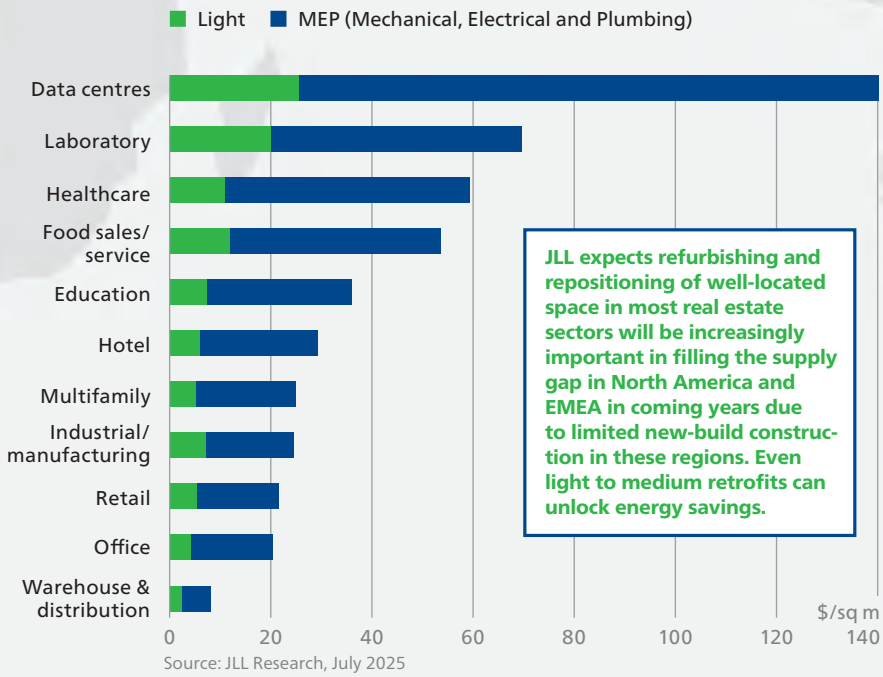
EU authorities are meanwhile taking steps to make Europe more attractive for the corporate sector by reducing companies' administrative burdens and streamlining ESG reporting obligations including the EU Taxonomy, the Corporate Sustainability Reporting Directive (CSRD) and the Corporate Sustainability Due Diligence Directive (CS3D). This streamlining initiative – known as the Omnibus I Regulation – is intended to support investments in companies rather than real estate, which already had sufficient data and reporting mechanisms in place.

A key priority for INREV is achieving consistency: the EU's streamlining efforts must deliver clearer, easier-to-apply regulations, and policymakers should maintain a stable framework rather than constantly revising the rules, Rupp adds. "Even well-intentioned changes can create uncertainty during analysis and implementation, slowing capital flows into sustainable real estate and delaying progress toward sustainability goals," he points out. ▸

Graphic: Shutterstock



Retrofits energy savings potential in North America and EMEA (USD per square metre)



JLL expects refurbishing and repositioning of well-located space in most real estate sectors will be increasingly important in filling the supply gap in North America and EMEA in coming years due to limited new-build construction in these regions. Even light to medium retrofits can unlock energy savings.

Source: JLL Research, July 2025

EU regulators also seem open to rethinking – or even phasing out – the Article 8 and 9 fund categories, which have effectively operated as informal sustainability labels. However, there are challenges to achieving clear standards for fund labels for real estate, Rupp notes. "The EU Taxonomy's use of Energy Performance Certificate labels for determining whether assets are sustainable, for example, is unworkable. We've stressed the importance of clear metrics, harmonised standards and interoperability of other sustainability labels for an SFDR labelling regime."

Compelling financial rationale for sustainable investment

Amid the current Trump-era policy climate, many US investors are understandably cautious about the legal risk of prioritising sustainability, fearing it could be seen as a breach of fiduciary duty. While that creates challenges for those promoting European real estate, there is a compelling financial rationale for sustainable investment, argues Chris Pyke, Chief Innovation Officer at Amsterdam-based GRESB, the organisation that provides ESG assessments and sustainability benchmarks for real estate.

The real estate industry understands the value of ESG

One of the advantages of real estate is that it carries an inherent edge over other asset classes when it comes to ESG. Real estate investors do not need to invent ESG's value as it has been clear for 15 years that energy efficiency lowers operating costs, resilience minimises disruptions, and satisfied occupiers drive revenue, Pyke concludes. "That combination makes for superior real estate." ●



"Despite the political debate in the US, there is broad and unwavering support in Europe that a commitment to sustainability is the right path forward."

Jeff Rupp, Director of Public Affairs, INREV



Photos: Union Investment/Jozsef Keresztes-Nagy, INREV, Union Investment, Shutterstock

The Avenue d'Iéna office property in Paris was fully refurbished by Union Investment and repositioned as a state-of-the-art Grade A building: a perfect blend of heritage preservation and meeting environmental requirements.



Focusing on energy efficiency

Union Investment is committed to its Manage to Green strategy. Full data integration via energy monitoring systems is a logical step towards complying with EU legislation. By Judi Seebus

The EU is driving the real estate sector's sustainable transformation through legislation such as the revised Energy Performance of Buildings Directive (EPBD), in force since January. Sustainability has been central to Union Investment's real estate strategy for nearly 20 years, during which time the company has built strong expertise in data management solutions.

As technologies advanced, the company expanded its Sustainability Platform to include tools such as AI. Its Software-as-a-Service platform now ensures compliance with evolving rules by digitising manual processes, reducing errors and consolidating sustainability data in one system.

Long-term data tracking is essential for ESG action

"It was clear from the outset that no off-the-shelf solution existed that met our sustainability standards," says Jan von Mallinckrodt, Head of Sustainability at Union Investment Real Estate GmbH. "What initially appeared to be a major challenge has since evolved into a significant success."

A key milestone came in 2018 with the automated capture of utility bills and Energy Performance Certificates. The next goal is full data integration via energy monitoring systems (EMS), which can deliver up to 50 percent savings at individual properties.

Across its portfolio, Union Investment has achieved an average 18 percent saving in EMS-equipped buildings, particularly those with long-term data tracking – currently 77 out of roughly 400. By year-end, every property in the portfolio will have EMS software, enabling faster, more accurate data capture in ImmoSustain.

Energy monitoring systems provide a clear competitive edge

Despite market constraints and a shortage of service providers, Union Investment remains committed to its Manage to Green strategy. Its early focus on energy efficiency has proven well-judged, given legislation like the EPBD and rising fossil fuel costs. Completing the EMS rollout now offers a clear competitive edge, Von Mallinckrodt concludes.

"It's not the big-ticket investments, like replacing façades, that deliver the largest savings," he notes. "More often, it's fine-tuning technical systems such as heating, cooling or ventilation. Many in the market now understand the value of using green electricity consistently, but the ability to generate it on site would benefit everyone far more – provided further legal reforms make such investments attractive to investors."



"The value of using green electricity consistently is now widely understood, but the ability to generate it on site would benefit everyone far more."

Jan von Mallinckrodt, Head of Sustainability, Union Investment Real Estate GmbH



A popular meeting place: Oodi Central Library in Helsinki is located on Kansalaistori Square in the heart of the city, directly opposite the Finnish parliament. Extensive views await on Oodi's Citizen's Balcony. Inside, visitors are met by a bright and airy "Book Heaven" with reading areas and cosy nooks.

Urban living rooms

The concept of a third place is based on publicly accessible, consumption-free spaces. Libraries are embracing this idea to become key catalysts for vibrant city centres.

By Elke Hildebrandt









Photos: Kuvatoimisto Kuvio Oy/Martin Sommerschield/Helsinki Partners (2), Tuomas Uusheimo/Helsinki Partners



"There are far too few consumption-free spaces. City centres need to be about much more than just shopping."

Katja Müller, Director of the Ernst Abbe Library in Jena

What do a Finnish city library, a Hamburg makerspace and a village media centre all have in common? They are all examples of a new type of urban space: the public living room. In the heart of city centres, which often suffer from empty buildings or a loss of footfall, modern libraries offer attractive places for socialising, education and connecting, with no pressure to buy anything. They all follow a similar principle: as freely accessible spaces, they invite a diverse public and offer a quality place to spend time while combining traditional functions such as the lending of books with workshops, cafés, kids' corners and even viewing platforms.

"Nobody asks for a membership card here if you just want to hang out," says Katja Müller, Director of the Ernst Abbe Library in Jena. Her library has gone beyond traditional book lending to become a vibrant meeting place, trebling the number of visitors. Annegret Strauß, who works for Union Investment, has a similar story to tell. She visited Forum Groningen in the Netherlands as a tourist: "I was attracted by the Forum's viewing platform, but once inside I discovered a whole new world. I would have loved to spend the entire day there."

Libraries are evolving into urban community hubs

What links these places is more than just good design or a new use concept. It's about the reconquest of public spaces by culture and the insight that quality of life begins where you can spend time without spending money. "There are far too few consumption-free spaces," bemoans Katja Müller. She strongly feels that city centres need to be about much more than just shopping. The German Library Association believes that libraries can revitalise city centres in new ways. These facilities have been under-







going a transformation process for many years now, it says: "As a result of the digital revolution and the loss of their monopoly on information, libraries are shifting away from purely lending books and other media, providing advice and promoting reading towards becoming a more dynamic space that offers a high-quality experience and multifarious opportunities to socialise and learn."

The third place concept opens up a wealth of possibilities

This new role is based on the concept of a third place that offers a third social environment alongside home (the first place) and work (the second place), and which fosters a sense of community and belonging. The concept quickly resonated in library practice, leading to wide-ranging changes. Shelves have been replaced by seating, while reading cafés, gaming areas and makerspaces now broaden the offering. Libraries can become "high-profile culmination points in the urban space," says Klaus Sill, university professor and managing director at architecture firm Prof. Klaus Sill + Assoziierte in Hamburg. But how can the transition to an urban hub with hybrid spaces be achieved? And what part does architecture play in all this? During Germany's first nationwide Libraries Night in April, Klaus Sill gave a talk on "Libraries, Archives, Makerspaces..." at the Hamburg Kunsthalle gallery, citing the new, iconic buildings that are proving to be magnets for urban populations. "Oodi Central Library in Helsinki is a prime example", notes Sill. Media lending is just one aspect here, with equal importance given to makerspaces, public lounge areas and an inspiring atmosphere. "The book is still present, but is no longer the main focus; it is embedded alongside analogue and digital media in a mixed-use concept," explains the emeritus professor of conceptual design and building theory at HafenCity University Hamburg.

Since its reopening in March 2024 in a transparent new building flooded with light, the Ernst Abbe Library in downtown Jena offers a home-from-home atmosphere that encourages reading, learning, creativity and socialising in equal measure (all pictures).









Photos: EAB Jena/Karoline Krampitz (3), Brigida González (2), privat

Helsinki's Oodi Central Library has become the new "Heart of the Metropolis"

Helsinki wanted a standout public building in terms of urban planning, function and symbolism. The project requirements included high ecological standards and strong integration into its surroundings. Accordingly, the new building by ALA Architects, which opened at the end of 2018, consists almost entirely of publicly accessible spaces. It has proved a great hit, with an average of 8,000 people now visiting the central library every day.

Klaus Sill sees the architecture of the building as an important aspect: "It creates barrier-free access, flexible spaces and a spatial experience that arouses curiosity. The building's appearance, while undoubtedly spectacular, is not the sole decisive factor." Because book storage takes up only around a third of the space, facilities such as a café, restaurant, public balcony, cinema, audio-visual recording studios and maker- ▸



"I think it is a great idea to convert disused department stores into modern libraries. That could be a real win-win for urban development and the urban lifestyle."

Klaus Sill, Managing Director, Prof. Klaus Sill + Assoziierte architects

Third places
Spaces for socialising, connecting, learning and recreation as compared to home (the first place) and work (the second place).

Makerspaces
Publicly accessible workshops where people can make, program or design things themselves.

spaces have been created. Sill describes the clever space design as follows: "The progression from the open-plan ground floor through small-scale makerspaces to a light and airy lounge with a view over the city is a design statement about openness and versatility."

An eye-catching building in Jena draws visitors into the magazine lounge

Innovative use of space and a high-quality experience are also important to smaller establishments, such as the Ernst Abbe Library in Jena, when transforming into a third place. "We have twice as much space as before, but not more books. Instead, each area is dotted with quiet corners, seating areas and space for our events," says Katja Müller. "We're committed to promoting STEM education and have a public magazine lounge. Additionally, our location really stands out within the city." The library building, which opened in 2024, was designed by PBR Planungsbüro Rohling, who stress its bold architecture: "The expressive morphology of the façades gives the building a uniqueness that makes it particularly compelling."

A strong visual statement that draws people in is exactly what today's library planners want to achieve with their architecture. The room arrangement and interior design also support the potential of a building to be a social meeting place. Alongside new buildings, libraries are also breaking new ground when it comes to opening hours. Forum Groningen, for example, is open every day with just a few exceptions. As an urban living room, it is also available almost around the clock, from morning to midnight.

The Forum Groningen cultural centre recorded 2.5 million visitors in 2024

Opened in 2029, Forum Groningen saw the city authorities mixing up the small-scale architecture of the Old Town with a building that features a monolithic, almost futuristic design. Like Oodi in Helsinki, Forum Groningen has won multiple awards and originated from an architectural competition. Both buildings can claim to be works of art, with their architecture, interior design and programming all complementing each other. Aspects such as social inclusion, education and accessibility all make a positive contribution towards ESG requirements as well.

The word "library" is notably absent at Forum Groningen, but books are there nonetheless. The mixed-use, multifunctional building designed by NL Architects houses a cultural centre that sets new standards. It is envisaged as a vertical public space where the boundaries between different institutions become seamless, with book lending, reading areas, a cinema, auditorium, comic museum, a media lab and smart lab all included.

The iconic building has quickly become the new meeting place for the city's inhabitants, although it also attracts tourists. In 2024, almost 2.5 million visitors passed through its doors. As Dirk Nijdam, Managing Director of Forum Groningen, noted in his annual report: "These figures show one thing above all: the immense need for spaces like this."

Such impressive visitor numbers are sure to attract the attention of other city planners. After all, the hope is that modern libraries and their visitors will invigorate city centres every day of the week. Combining them with commercial spaces is another option, as an example in northern Helsinki shows. "At Maunula House, which is also home to the Maunula Library, it's the combination of supermarket, library and educational facilities that generates footfall," says Klaus Sill. The architect also thinks it is a "great idea" to convert disused department stores into modern libraries. Their large spaces, high ceilings and central location make them ideal candidates for conversion. "Transformations like this could be a real win-win for urban development and the urban lifestyle."







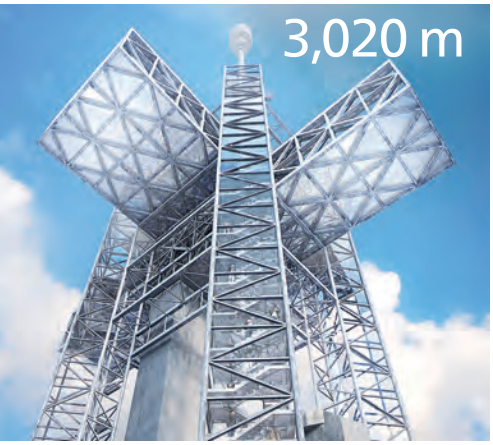
Photos: EAB Jena, Stella Dekker, Forum Groningen, Forum Groningen/Deon Prins

Forum Groningen, an iconic, massive tower in the heart of the city, is a multifunctional cultural centre offering some 17,000 square metres of space over ten floors for a variety of uses, including several floors occupied by the library. Open-plan staircases, clear lines of sight and extensive use of glass make the building look both monumental and accessible. Visitors are intuitively guided through the building. The highlight is the spectacular roof terrace with its panoramic views and an open-air cinema that makes the Forum a lively cultural and social venue.

Alpine summit structures

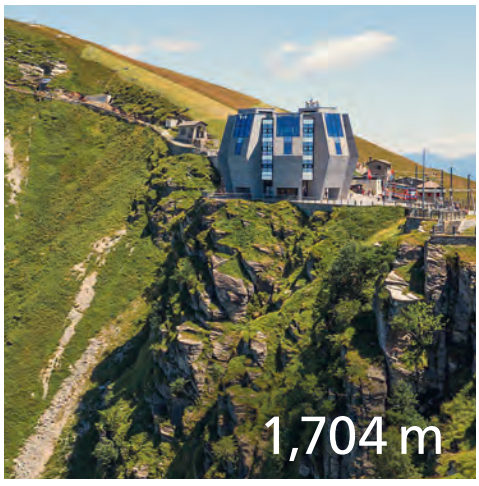
Where the air is thin, architecture reaches new heights, with glass, steel and stone rising into the sky. Spectacular buildings combine the experience of nature with culture, technology and pleasure, turning the mountains themselves into a stage. By Frauke Backer











3,048 m – ice Q restaurant

Dine like James Bond. The ice Q rises like a glass cube from the snow and rock above Sölden. This is where 007 battled Spectre in the film of the same name. Inside, chefs create culinary delights while outside the façade reflects the sky and more than 250 three-thousand-metre peaks.

3,020 m – Titlis mountain station

A mountain crystal crafted from steel and glass. Architects Herzog & de Meuron took an old steel structure used by Swiss Post and extended it horizontally by adding two glass and steel wings to create a cruciform tower, due to open in 2026. The cable car station is already in operation, with the futuristic mountain station set to follow in 2029.

2,509 m – Timmelsjoch Pass Museum

A gateway between two worlds, the Pass Museum juts out into a valley between Austria and Italy like a huge rock. Designed by Werner Tscholl, it seems to defy gravity.

2,275 m – Lumen, Museum of Mountain Photography

Light and views: Lumen is the perfect showcase for the best mountain photographs, with its 1,800 square metres of space. Featuring crisp geometry, frame-like glass fronts and a projecting structure, the museum combines exhibition spaces, a cinema and a restaurant with panoramic views of the surrounding peaks.

1,704 m – Fiore di Pietra

A flower of stone. Since 2017, an octagonal, star-shaped flower of granite surrounded by five-storey towers has adorned Monte Generoso, a panoramic mountain viewpoint in Ticino. The Fiore di Pietra is simultaneously a vantage point, restaurant and cultural space.

DISPOSAL: Finsbury Circus House, London

The new owner of this 13,400-square-metre office building is Dare, a joint venture between Aware Super and Delancey. Union Investment acquired the property in 1992 for its UniImmo: Deutschland fund and remodelled it in 2012/13 as a premium multi-tenant property.



DISPOSAL: Centre d'Affaires Paris Trocadéro, Paris

The multi-use complex was sold to Blackstone for around €700 million. The property offers 41,000 square metres of rental space and was purchased for the UniImmo: Deutschland fund in 2003. Original purchase price: €284 million.



DISPOSAL: Urban Villas, Amsterdam

Union Investment successfully sold the residential complex, which was acquired in 2021 through forward funding for its UniImmo: Global fund, to a Meag special fund. Urban Villas consists of four buildings with a total of 173 rental apartments across an area of 12,310 square metres.



Photos: Ice Q/Rudi Wyhlidal, Herzog & de Meuron, Westend61/Wolfgang Weinhäupl, Lumen/Manuel Kottersteger, Fiore di Pietra PR, Union Investment (3)

Online & Service

www.realestate.union-investment.com/magazin

Use the magazine section of our website to find all the content in one place. The magazine includes:

- **articles by the places and spaces editorial team**
- **articles on our Manage to Green sustainability strategy**
- **background information on our real estate activities**

Our sustainability strategy portal is available here: www.managetogreen.de

Contact

Union Investment Real Estate GmbH
Fabian Hellbusch
Head of Real Estate Marketing and Communications
Valentinskamp 70/EMPORIO,
20355 Hamburg, Germany
Phone +49 (40) 34919-4160

fabian.hellbusch@union-investment.de

Publishing information

places and spaces
The Real Estate Magazine of Union Investment
Published by Union Investment Real Estate GmbH
Responsible Editor Fabian Hellbusch
Articles by named authors reflect the opinion of the respective author.
Editor-in-Chief Fabian Hellbusch
Final Editing Christine Mattauch
Art Direction Frauke Backer
Picture Editing Annegret Strauß, Michelle Jekel
Infographics Lena Teuber
Proofreading Christiane Barth
Lithography PIXACTLY media GmbH
Publishing House C3 Creative Code and Content GmbH,
Heiligegeistkirchplatz 1, 10178 Berlin, Germany
Printed by optimal media GmbH,
Glienholzweg 7, 17207 Röbel, Germany

places and spaces **is published in spring and autumn in German and English**
Current print run 3,800 copies

FSC
www.fsc.org
MIX
Paper | Supporting responsible forestry
FSC® C108521

The paper and printing of this magazine are FSC® certified. The printer, optimal media, guarantees an ecofriendly production chain.

Print product with financial
climate contribution
ClimatePartner.com/12015-2501-1020

The next places and spaces will be published in March 2026





Union Investment

Explore the power of transformation

Remodelling, extending and repurposing existing portfolio properties offers huge opportunities – and new prospects for attractive neighbourhoods. With sustainable strategies and our comprehensive project management expertise, we unlock potential for value appreciation and create future-ready real estate portfolios. **Let's talk about your transformation case.**

www.union-investment.de/realestate





© Krüger Consult GmbH, Architekten

expo real Stand B2.140



