

FINAL WORD

Holding onto assets is now an opportunity cost: Nick Pink argues that investors sitting on the sidelines could be gambling on an unrealistic future outlook

“The cost of waiting – lost opportunities and potential value erosion – should not be underestimated”



The phrase ‘survive ‘till 25’ may have turned out to be overly optimistic when coined at the end of 2023 as Europe (and indeed the world) was struck with economic volatility and rocketing interest rates. But while 2025 may not have been as positive as some had hoped, it was the moment when we clearly entered a new real estate cycle – which in turn, on paper at least, made it one of the best buying opportunities for some time.

While transaction volumes remain subdued, the scarcity of high-quality assets in prime locations has meant that the few opportunities that have appeared have felt like hidden gems. Yet many institutional investors have stayed on the sidelines, their capital locked away as they wait for further interest rate cuts or incremental gains in capital values to make selling feel that little bit more attractive.

But the reality is that holding assets in this environment comes with a significant opportunity cost – one that gambles on the idea of a much-improved future environment and ignores the facts on the ground in Europe’s real estate markets today.

Our experience over the course of 2025 explains why. Of the 15 disposals we concluded in Europe, 14 met or exceeded book value – often achieving or surpassing adviser guidance. This is not a story of forced sales or distressed pricing, but rather of recognising, through the strengths of our in-market teams backed by global strategy, that the right product can command strong attention even in a low-volume market. Much of this activity is

happening off-market, through direct approaches and small group negotiations, allowing buyers and sellers with conviction to transact as serious partners.

This trend is only going to accelerate in the coming year, as the pool of buyers widens and more assets are brought onto the market (through a mix of lenders reaching the end of their tether with extension requests and sellers adopting a more pragmatic approach and recognising the benefits in recycling capital).

European real estate is looking even more attractive into 2026 for six main reasons: market sentiment is set to improve as investors adapt to uncertainty; pricing has drifted sideways, suggesting limited upside from waiting for further capital appreciation; debt markets have proved resilient, supporting transaction stability; yield spreads remain sufficient in most markets and rents are forecast to rise across sectors; chronic stock shortages – particularly of modern logistics and office space – will intensify; and access to debt capital is improving, which will further aid the recovery in transaction volumes.

Twelve months ago, the prevailing mood was one of ‘cautious optimism’. Twelve months before that it was ‘cautious optimism’. Today, pragmatism is taking hold as more investors recognise that the market is unlikely to suddenly reboot and that we are, in fact, in our new normal environment.

Investors are realising that the anticipated bounce in capital values may not materialise and that there is no medium-term guarantee that things will suddenly pick up. Instead, they are increasingly seeing that if an asset’s business plan has been achieved – if the leasing is complete, the fundamentals are sound – then the risk of holding out for marginal gains may well be outweighed by the benefits of selling now and investing that capital elsewhere. Indeed, in some cases, waiting could even erode value as market dynamics shift, new supply emerges and pockets of demand are met.

The European real estate market is offering a window of opportunity for those willing to act. The cost of waiting – lost opportunities and potential value erosion – should not be underestimated.

Pragmatism, not procrastination, is likely to serve capital partners’ interests best in the months ahead. ●

Nick Pink is head of European real estate equity at Barings, one of the world’s largest diversified real estate investment managers