Barings targets Europe deals with €2bn of dry powder

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Nick Pink, Jorge Duarte and Matthew McBride on Europe's appeal, office opportunities and affordable housing

Barings' London HQ at 20 Old Bailey

Barings is entering Europe’s next real estate cycle with roughly €2bn of equity capital to deploy, positioning itself to capitalise on a market that has repriced enough to unlock opportunity – even as geopolitical uncertainty clouds the recovery.

Speaking to *Green Street News* in a joint interview, Nick Pink, head of European real estate equity; Jorge Zawerthal Duarte, head of portfolio management, European real estate; and Matthew McBride, senior director and portfolio manager for the European closed-end value-add real estate fund series, outlined Barings’ investment strategy for the coming months.

The US investment manager closed 16 deals last year and allocated €1.1bn across its real estate equity mandates and strategies, despite repeated macroeconomic and political shocks derailing the rebound.

Pink told *Green Street News*: “There is a degree of pragmatism that I haven’t seen before. After three or four years of waiting for the recovery to deploy capital, something that we weren’t expecting – the conflict in the Middle East – has derailed us again.

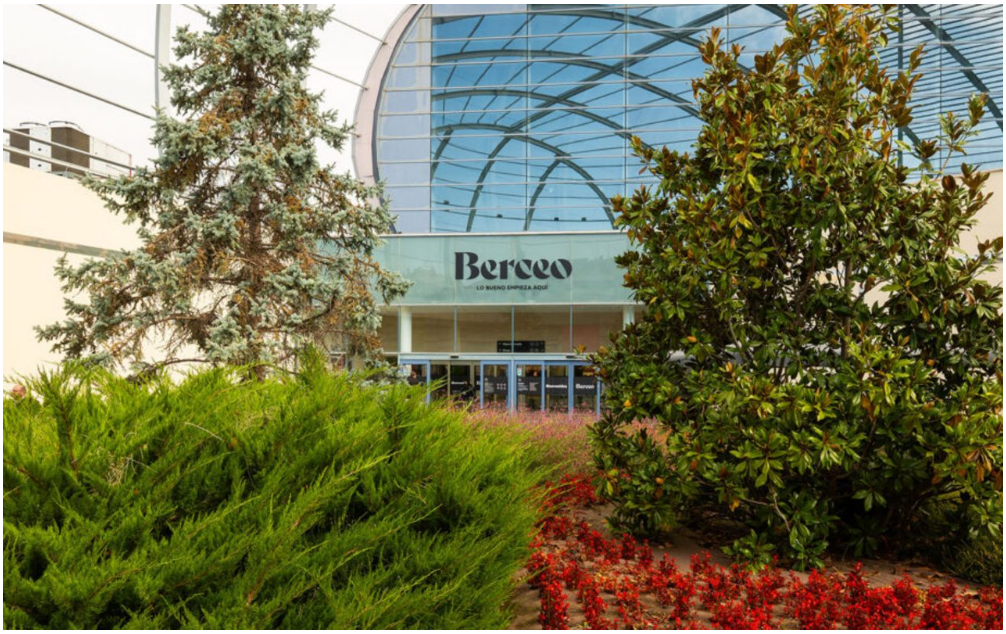
“But the difference is that investors are almost prepared for another ‘black swan’ scenario, so they’re still active. It’s a very different market proposition, with a lot of off-market activity, but there is still activity. There’s always a temptation to wait for the market to be perfect – but waiting isn’t the right strategy. When there is no liquidity in the market, it makes a lot of sense to be deploying.”

Dry powder – but discipline

The €2bn of dry powder – spread across core, core-plus, and value-add mandates – provides opportunity. But Pink stresses that capital deployment will remain highly targeted.

“We don’t need to invest all that money this year, but if the opportunity came along there is significant dry powder to deploy.”

Barings expects to be a net buyer in 2026, but without the pressure to match last year’s pace of disposals, when it completed 18 sales, almost all at a profit.



Berceo Shopping Centre, Logroño, Spain

Recent disposals include the €101m Berceo Shopping Centre in Logroño, Spain, which was acquired by Castellana Properties; and a €35m logistics asset in Sarstedt, near Hanover in Germany, which was bought by Clarion Partners Europe.

Barings has also put a warehouse in Unna, North Rhine-Westphalia, up for sale at a guide price of around €100m, as revealed by *Green Street News* in January.

“Last year, we did a lot of selling of mature assets, and felt we would find buyers in the market. This year we will be opportunistic on the sellside,” Pink told *Green Street News*.

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On the buyside, Barings is investing €70m in a residential project in Madrid under a forward commitment with Spanish developer Aurora Homes; it has purchased three cross-dock logistics assets in the Frankfurt/Rhine-Main region, from German property group Dietz for around €55m; and it acquired a Haussmannian residential block in Paris from Axa IM Alts for more than €25m.

Pink says: "It's an interesting market to be a buyer with capital, because you're buying at a cheaper price than you would normally buy at."

Beds and sheds dominate

As reflected by recent acquisitions, Barings' asset search is focused on logistics and residential, which accounted for around 82% of the manager's investment volume last year. The rest was allocated to offices and retail, with a focus on the convenience and food-anchored segment.

Duarte, who rejoined Barings from Hines earlier this year, told *Green Street News*: "We're pretty focused in terms of what we're looking at. We've got a high conviction in residential and logistics across Europe – and we're executing that across different risk profiles, whether it's for our core/core-plus or value-add strategies.

"We're going to be net buyers in these segments. It's about scaling exposure where we have the highest confidence."

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Duarte highlights that Barings saw significant capital raising activity last year, including one of the biggest-ever years for one of its pan-European core real estate strategies.

Meanwhile, McBride notes that Barings is currently bidding across residential and logistics in markets including France, Germany and Italy.

Within industrial and logistics, last-mile and multi-let properties sit at the top of the list, while residential strategies span build-to-rent, student housing and, selectively, build-to-sell in markets where affordability dynamics favour it.

Geography plays a key role in Barings' strategy. Barcelona, for example, is seen as more conducive to build-to-sell, while Nordic markets lean towards rental models. Germany, France and the UK remain core allocation markets due to their depth and exit liquidity.

Offices: selective re-entry

Offices, in contrast, are a tactical play. Barings is targeting income-producing assets in core cities such as London, Paris, and Milan – but only where it can acquire at a discount and reposition quickly. Ground-up development remains largely off the table, according to Duarte.

"Ideally we're buying existing income-producing assets that are very under-rented and that we can reposition. There's nothing wrong with the asset itself, but it might be distressed on the capital side, with the owner needing to exit," Duarte says.

Even in prime segments, economics remain tight despite strong rental growth.

"You have to pick the right building, on the right street, with the right fundamentals," says McBride. "Not every building that comes through can make the economics stack, so you've got to be very selective."

Europe's relative appeal

Underlying the strategy is a broader conviction that Europe now looks comparatively attractive on a global basis.

Values have fallen 20%-40% across many sectors; supply remains constrained due to a collapse in development; and rental growth has persisted even through the downturn – an unusual combination at this stage of the cycle.

Pink says: "In the right parts of the market, we all see opportunity. Increasingly and encouragingly over the past 12 months, we've seen LPs coming back with new allocations. Some of it is real new money and some of it is reallocation from one strategy to another."

That backdrop is beginning to draw international capital.


A €35m logistics asset in Sarstedt, Germany

Duarte says: “Europe is looking pretty good compared to the rest of the world – certainly compared to the US. We have an interest rate environment that is pretty stable, a positive debt market, and we continue to have a significant under-supply of real estate across all sectors with demand kicking along.”

Barings is noticing increasing interest from US and Asian investors, both for cyclical reasons and as part of a renewed push towards portfolio diversification.

“Historically, investors wanted excess returns if they were going outside their home market,” Pink adds. “Now diversification itself is part of the thesis. Has it resulted in significant redirection of capital? It’s still early days – but people are definitely talking about it.”

Diversification over specialisation

Unlike some peers, Barings is resisting the shift towards highly specialised sector strategies, arguing that flexibility is more valuable at this point in the cycle.

That approach extends to niche sectors, such as self-storage or luxury retail – both on the radar, but always as part of a diversified strategy.

“Historically we’ve been a diversified manager – and it might not be flavour of the month for people trying to sell sector specialism – but we’d rather be able to pivot into opportunities than be constrained by a narrow mandate,” says Pink.

Barings has looked at the UK self-storage sector and is reviewing opportunities in less mature markets in Europe.

Affordable housing

One area set to grow in importance is affordable housing, particularly in the UK and parts of Southern Europe, where rental affordability is becoming a structural issue.

While not yet a standalone strategy, it is expected to feature more prominently across mandates.

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Sticking to the fundamentals

For all the activity, Barings acknowledges that the recovery remains fragile, as repeated ‘black swan’ events have delayed the expected rebound, and the current geopolitical backdrop adds another layer of uncertainty.

But the firm’s view is that the fundamentals – repricing, constrained supply, and resilient demand – are now firmly in place.

“The cycle hasn’t properly fired up yet,” Pink concludes. “But the opportunity is there – if you’re willing to be patient and stick to the fundamentals.”