CUSHMAN & WAKEFIELD

VANTAGE POINT

TRUMP 2.0
THE FIRST 100 DAYS

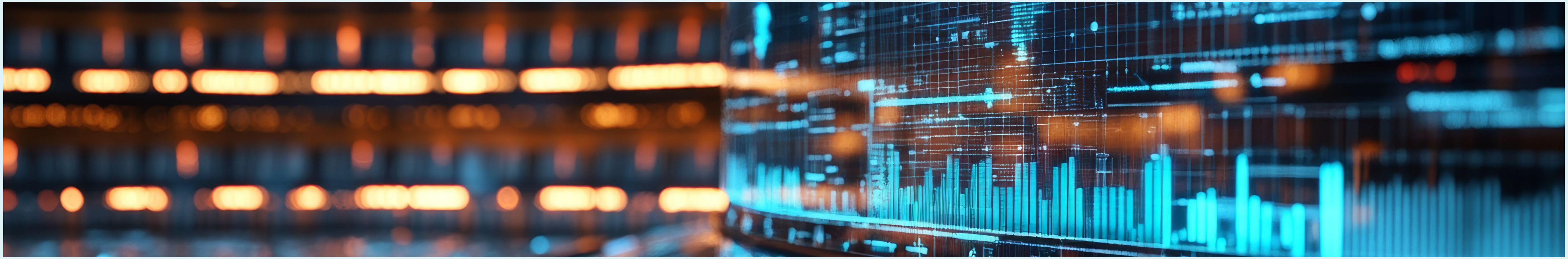
IMPLICATIONS FOR THE
ECONOMY & PROPERTY

EMEA

As of April 28

CONTENTS

EXECUTIVE SUMMARY



Executive Summary

The Economy

- In the first 100 days, we have observed a **hard shift in U.S. economy policy under President Trump**. From a European perspective, trade policy and the trajectory of U.S. growth are front of mind.
- Our baseline is that U.S. tariffs and related **uncertainty will slow euro area growth but** the economy will weather the impact and **continue to expand**. **The UK's economy will also remain resilient** but could face stronger inflationary pressure due to its more open economy and greater reliance on trade.
- Rising defence spending signals **a shift from austerity to fiscal stimulus, supporting growth** and boosting Europe's long-term competitiveness by modernising key sectors and reducing dependencies.
- **The situation remains fluid** with many developments still unfolding, and there may be both potential benefits and drawbacks to these policy changes that will unfold over time.

Property

- **The EMEA property sector entered 2025 with a stable backdrop**, supported by steady occupier demand and early signs of improvement in investment activity.
- Tariffs on materials like steel and aluminium will **increase construction costs,** and curb supply pipelines, at least until greater clarity emerges. **Existing assets will likely benefit**.
- Trade barriers will encourage companies to shift manufacturing closer to home, driving long-term demand for domestic industrial real estate through **onshoring and nearshoring strategies**.
- The ECB and the BoE entered 2025 leaning toward a **more accommodative monetary position**. Expectations are for this to continue, though a decision will of course be data dependent.
- In the short term, credit and risk spreads across Europe may experience some widening due to economic uncertainty and market volatility. However, **underlying fundamentals remain supportive of a gradual recovery**. As inflation pressures ease and monetary policy becomes more accommodative, **confidence in European debt and capital markets is expected to strengthen in H2 2025**.

ECONOMY & CRE

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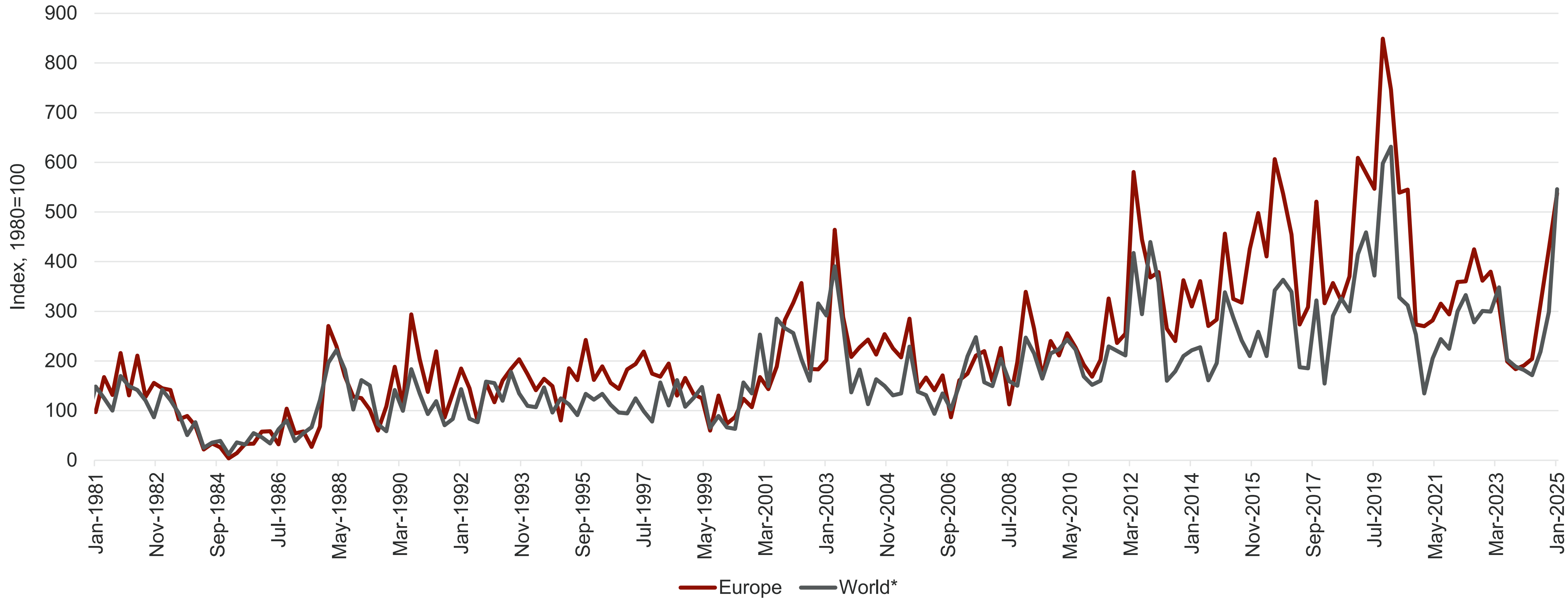
Uncertainty at Highest Levels Since Pandemic

Economic Policy Uncertainty Index

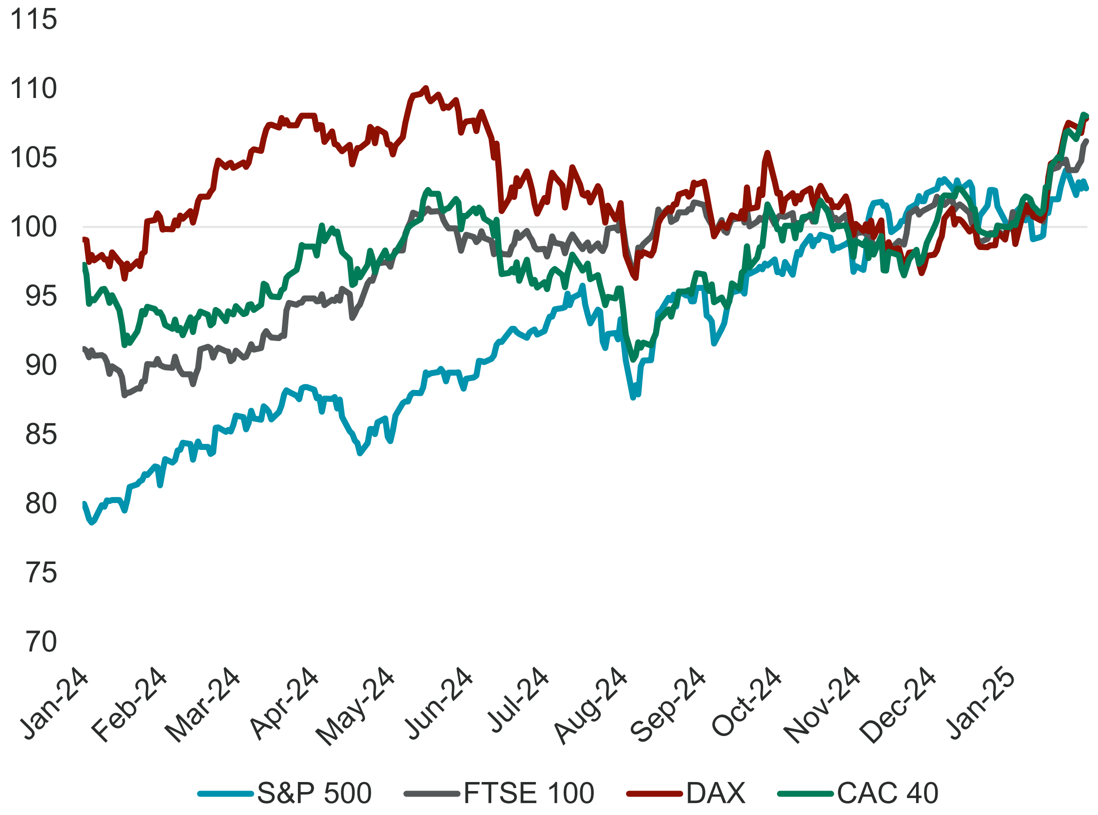


Source: The Federal Reserve Economic Data (FRED), World GDP Weighted Average

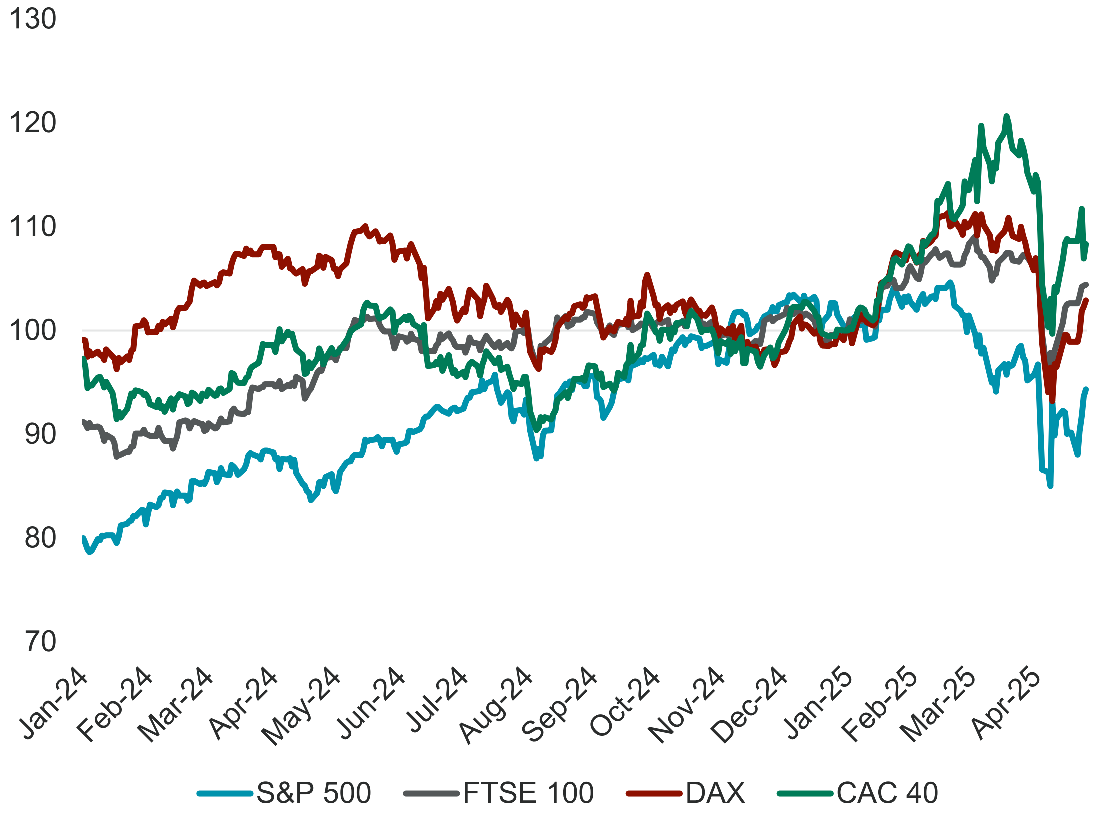
Early Market Optimism Begins to Fade

Equities, Index Jan 2025=100

Equities Performance through Jan 2025



Equities Performance through April* 2025

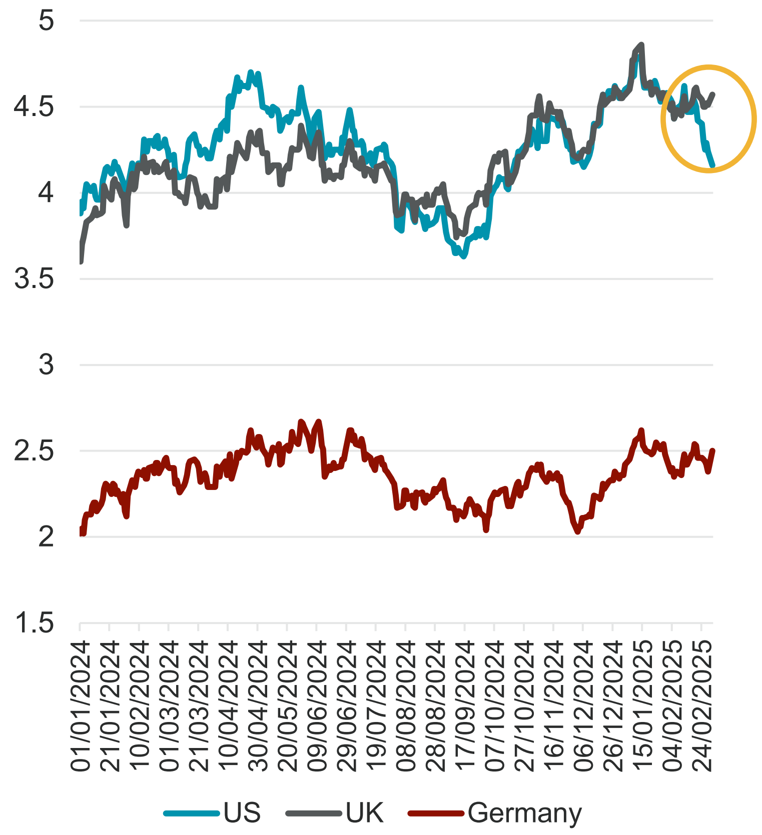


*Source: Euronext, Deutsche Boerse, FTSE Russell, S&P Global - *as of 25/04/2025*

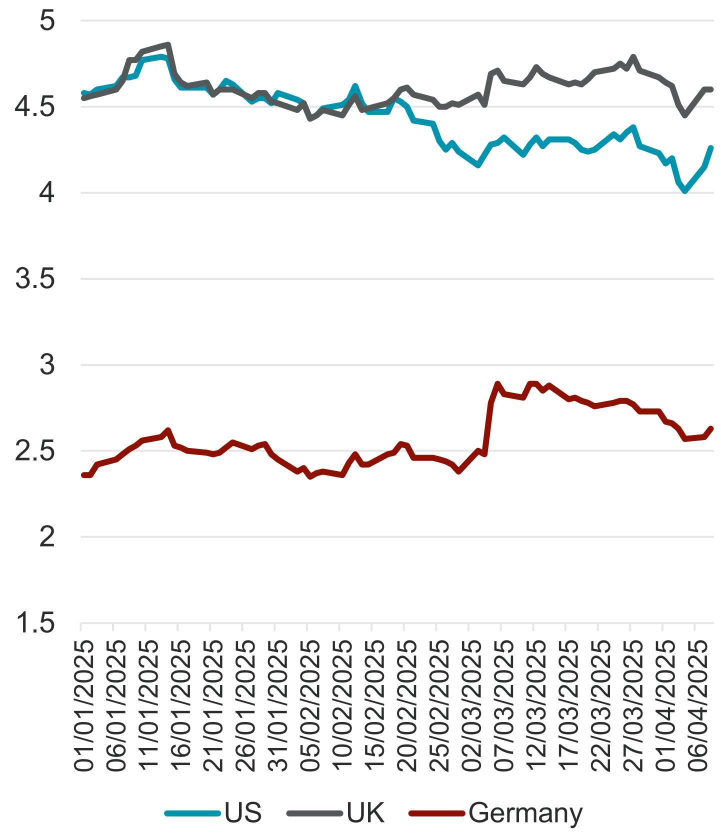
European Bonds Gaining from Flight to Safety?

10YR Bond Yields (%)

Bond Yields through Feb 2025



Bond Yields through Apr 2025

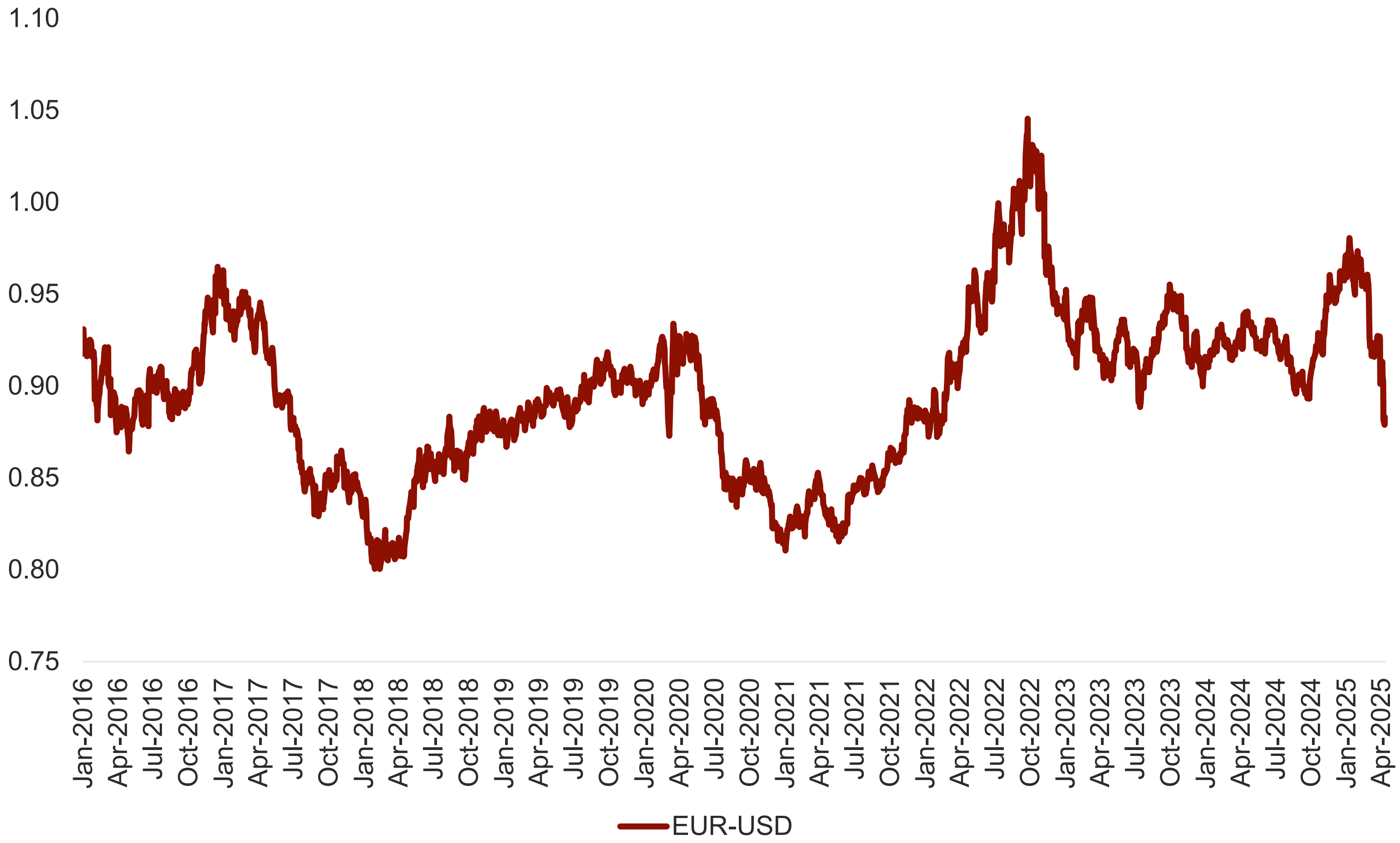


Source: Deutsche Bundesbank, IMF, Bank of England, U.S. Board of Governors of the Federal Reserve System (FRB), Moody's Analytics

Impact on CRE

- Financial markets initially reacted positively to Europe's fiscal shift, with 10YR bond yields diverging from the U.S.—signalling growing investor confidence and expectations of stronger near-term performance in Europe.
- The recent rotation out of the USD may offer some support to the EUR and other European currencies, as investors gradually adjust their portfolios in response to evolving interest rate differentials and shifts in global risk sentiment.
- European sovereign bonds and corporate bonds are a good proxy for CRE lending rates. If U.S. volatility drives investors into European bonds, we could see CRE lending rates drift lower, providing a window for investors to grab relatively attractive debt.

Shifting Capital Flows, Return of European Investors?



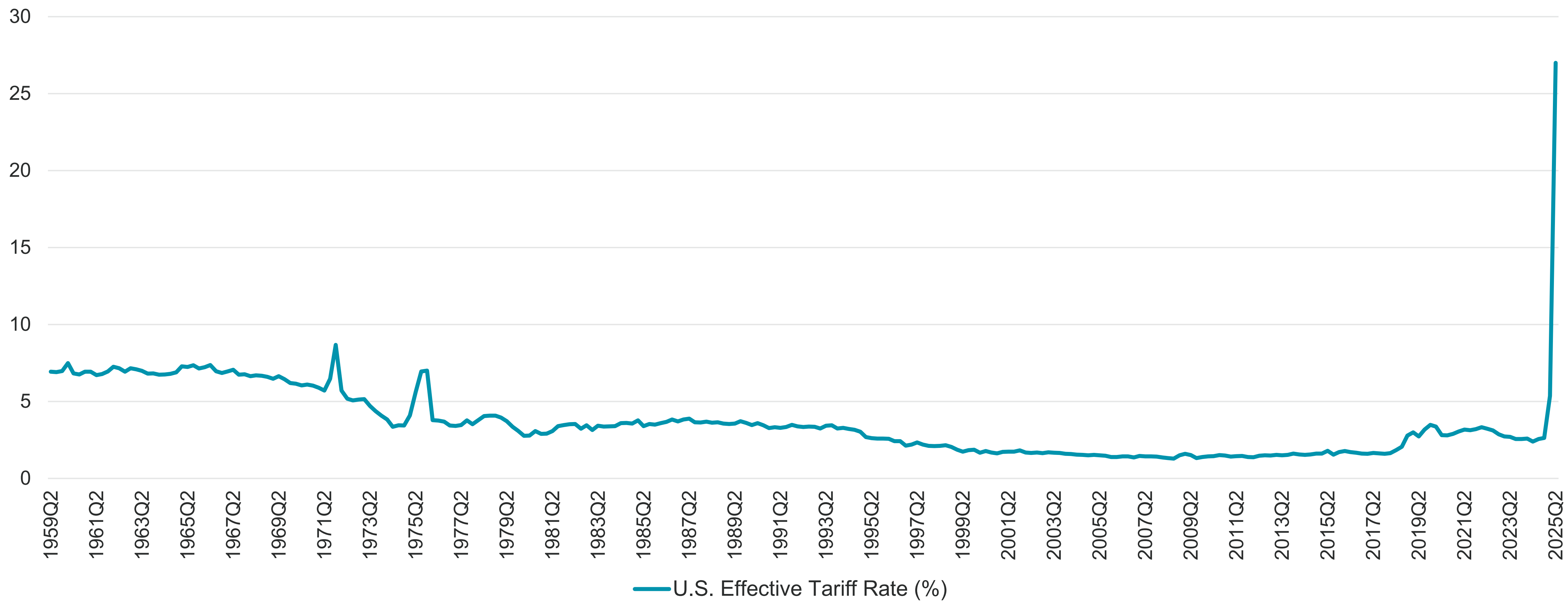
Source: ECB, Moody's Analytics

Impact on CRE

- The recent weakening of the U.S. dollar against the euro may influence the relative attractiveness of euro-denominated assets for U.S.-based investors, as European assets have become relatively more expensive. All else being equal, this currency shift could have a moderating effect on U.S. capital flows into European real estate.
- On the other hand, shifting global risk sentiment precipitated a flight to safety and liquidity, which has benefitted European sovereign bonds so far.
- If demand shifts away toward less liquid assets that also command perceived safety, European CRE may benefit. Investors may seek diversification and lower-risk opportunities, thereby supporting continued capital inflows into European real estate despite higher asset pricing.
- Domestic investors may also find a window of opportunity to deploy capital as U.S. investors recalibrate their global allocation strategies.

Tariff Rates Set to Rise

Estimate Based on Tariff Policy as of April 14, 2025

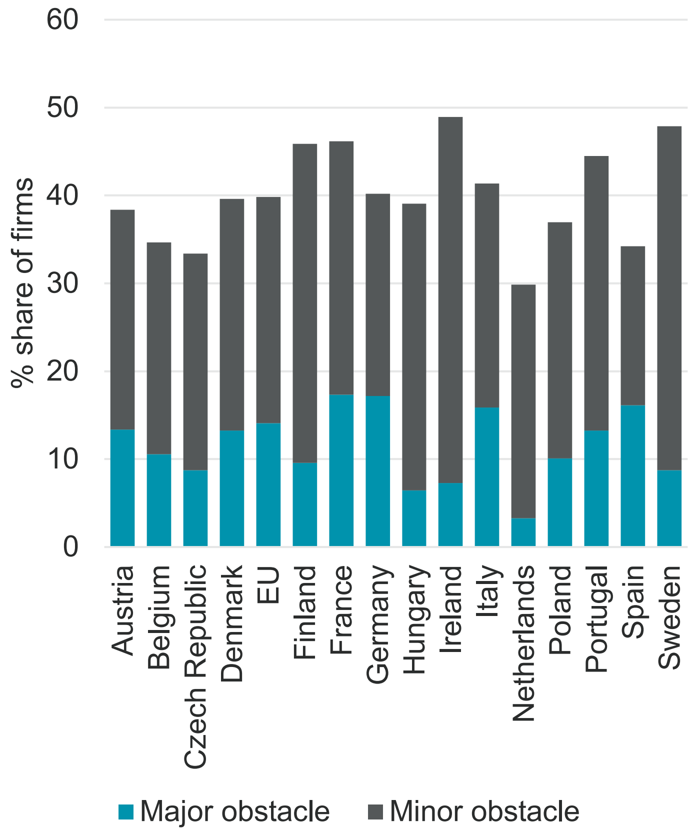


Source: Moody's Analytics

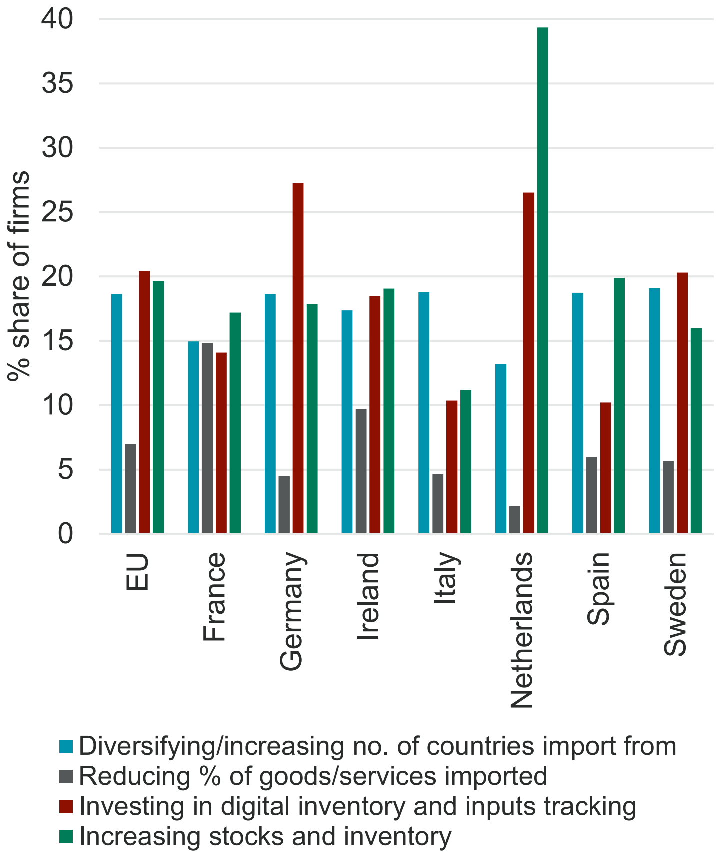
Tariff Uncertainty Weighs on Businesses

EIB Investment Survey (2024)

Recent Changes in Customs & Tariffs



Changes to Sourcing Strategies



Source: EIB investment Survey 2024, European Investment Bank (The survey covers approximately 12 000 firms across the EU27)

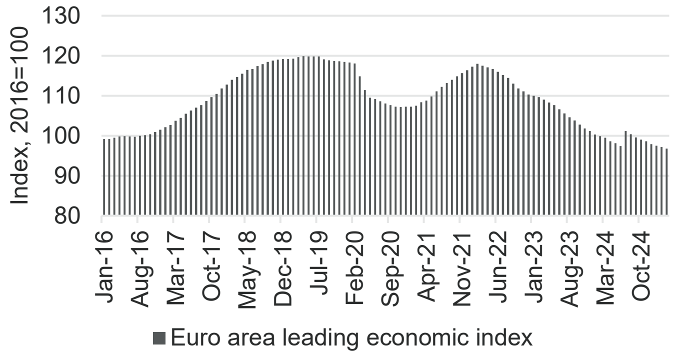
Impact on CRE

- Recent shifts in tariff policies are increasingly being cited as a significant challenge for firms across Europe, prompting businesses to re-assess their global supply chains and sourcing strategies.
- Survey data points to a short-term rise in warehousing demand due to higher inventory levels, but this is likely temporary as businesses remain committed to lean supply chains. In contrast, supplier diversification offers more lasting change—particularly benefiting European markets as nearshoring gains traction. Supported by stable EU trade rules and possible government incentives, this shift could drive long-term demand.
- The impact on CRE is unclear. The uncertainty is likely to affect appetite for contracting new space in the near term. Overhauling supply chains is costly. However, the longer tariffs remain in place, the greater the likelihood that businesses will implement supply chain diversification strategies—potentially driving new growth opportunities across Europe.

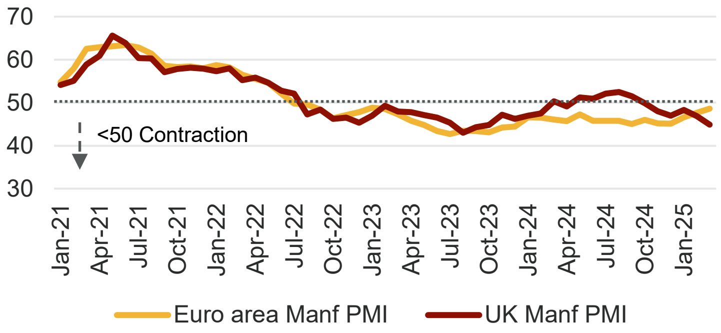
Stagflation Signs Starting to Appear

The Stag

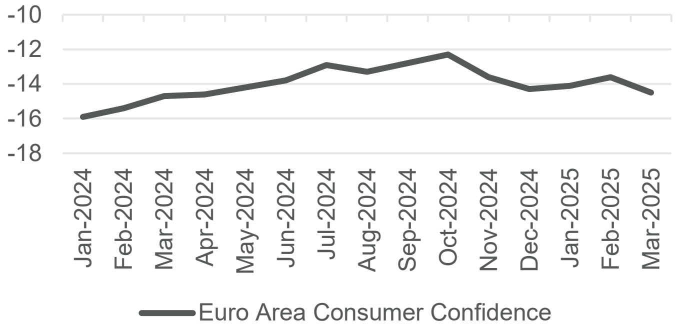
The LEI* declines further



Manufacturing Sector Contracting

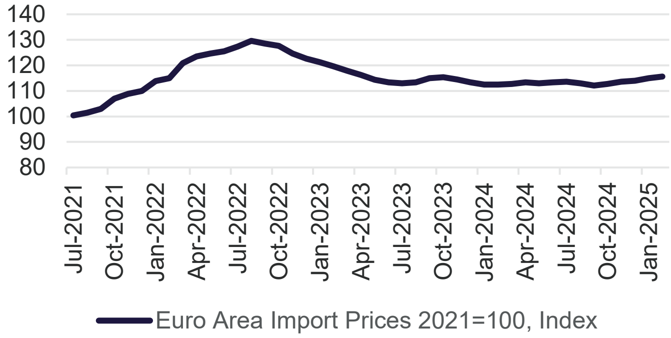


Confidence Falling

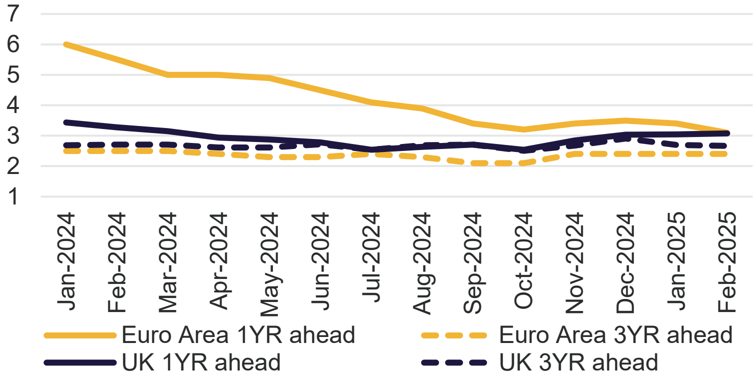


The Flation

Import Prices Trending Up



Although Inflation Expectations Steady

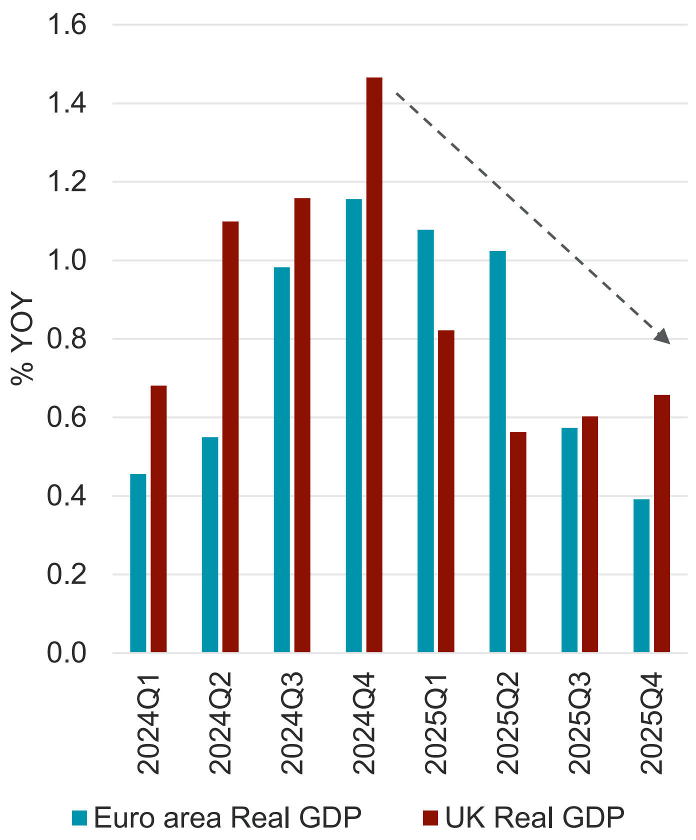


Businesses Planning to Raise Prices

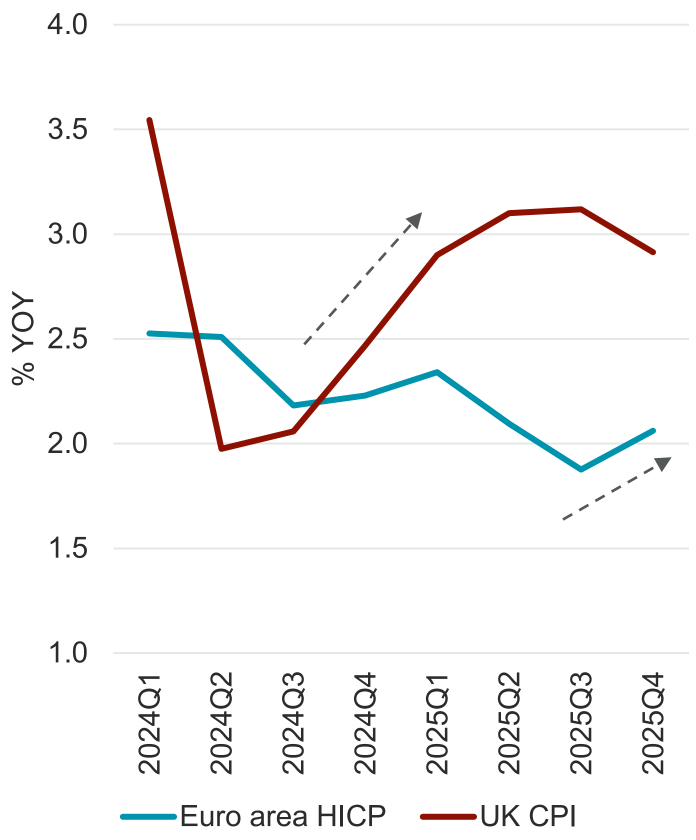
*Source: Various *The Leading Economic Index (LEI) signals potential turning points in the euro area economy. It comprises eight indicators, including ECB yield spreads, consumer expectations, stock prices, manufacturing and services surveys, order book volumes, residential permits, and a systemic stress index.*

Tariffs Fuel Stagflation Scenario in 2025

Stag…



…flation



Source: Cushman & Wakefield Research, Moody's Analytics

Impact on CRE

- While the euro area is expected to avoid a recession, growth has been downgraded. Although the direct impact of U.S. tariffs on euro area growth is modest, the combined indirect effects—such as tighter financial conditions and heightened uncertainty—could significantly amplify the impact, with a 1% tariff hike potentially reducing GDP by 14bps.
- The combination of tariffs—which could lead to rising prices—and monetary policy challenges, significantly increases the risk of stagflation in the UK, with Europe to follow.
- That said, Europe enters 2025 with inflation pretty well under control, and central banks may decide to focus on growth concerns which may lead to further cuts.
- A short-term stagflation scenario may weigh on property in 2025, but if growth weakens more than inflation, central banks could respond with more easing—potentially setting the stage for a rebound in 2026.

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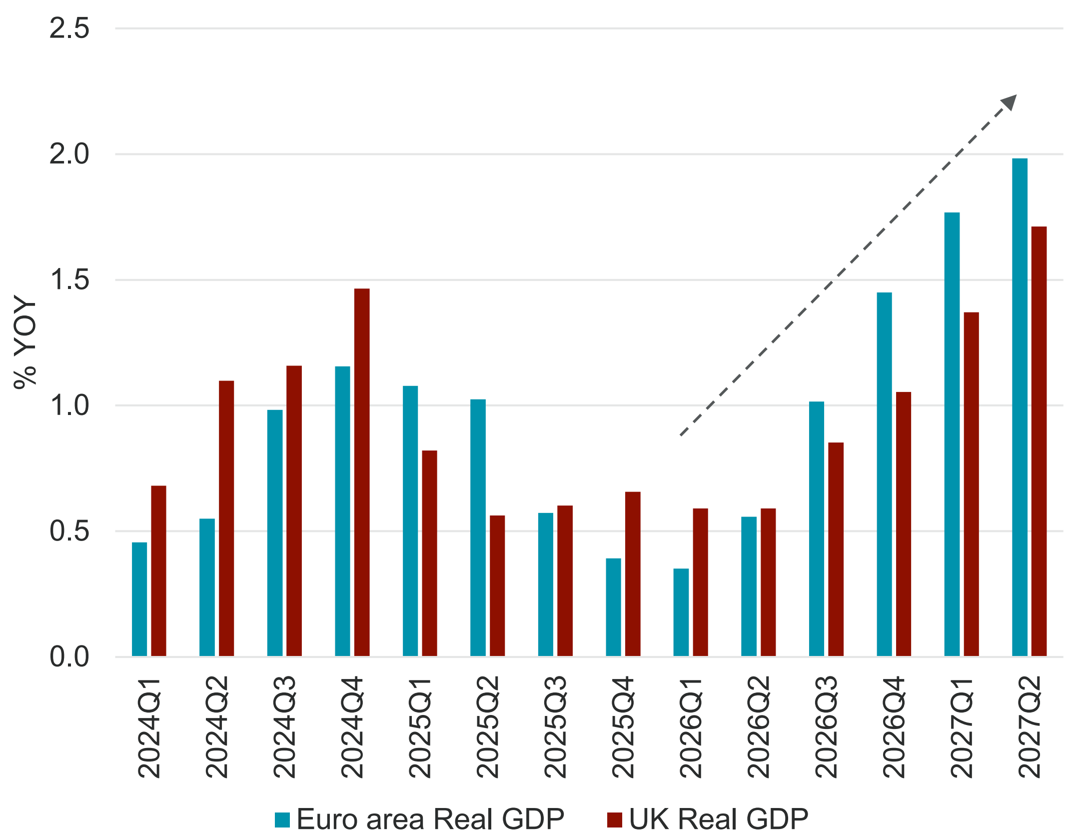
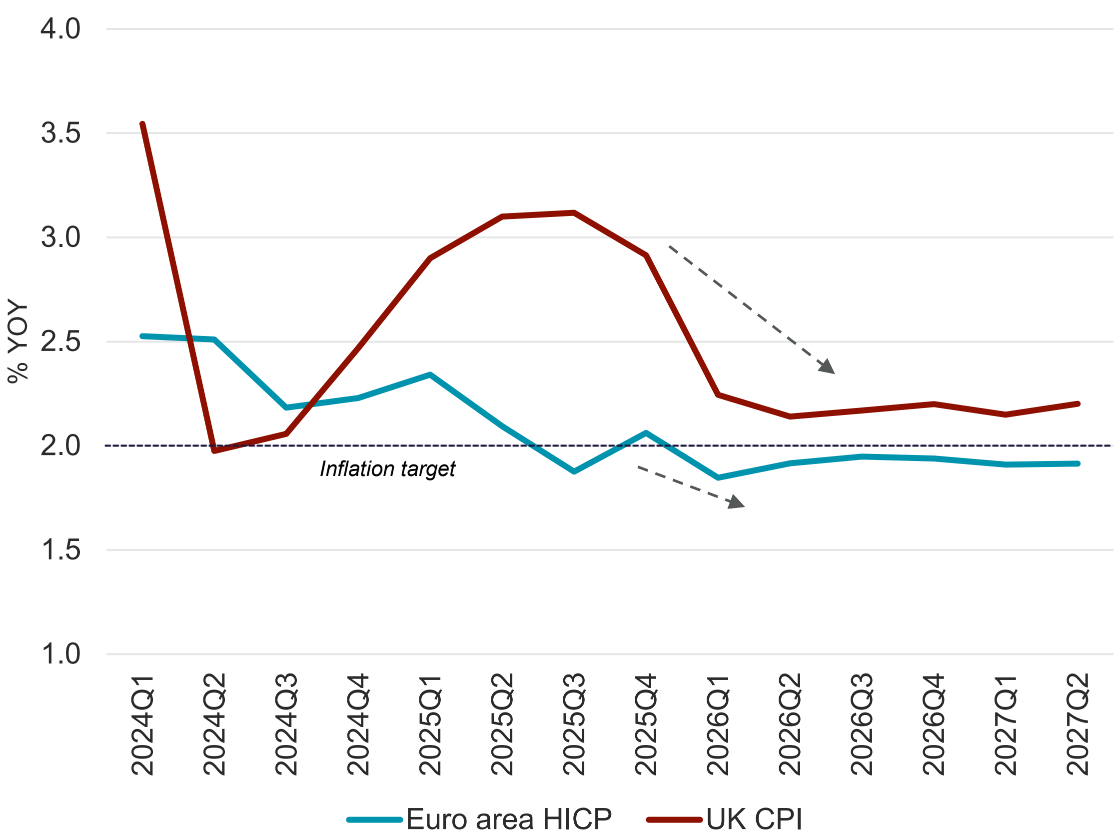
But Rebound Expected in 2026

Economic Rebound Expected in 2026



Inflation to Converge Toward Target

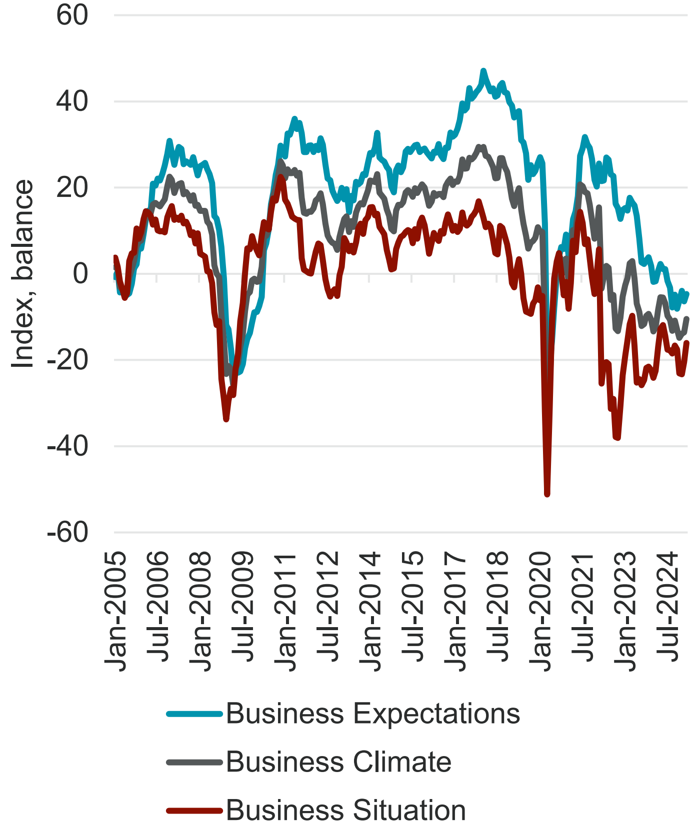


Source: Cushman & Wakefield Research, Moody's Analytics

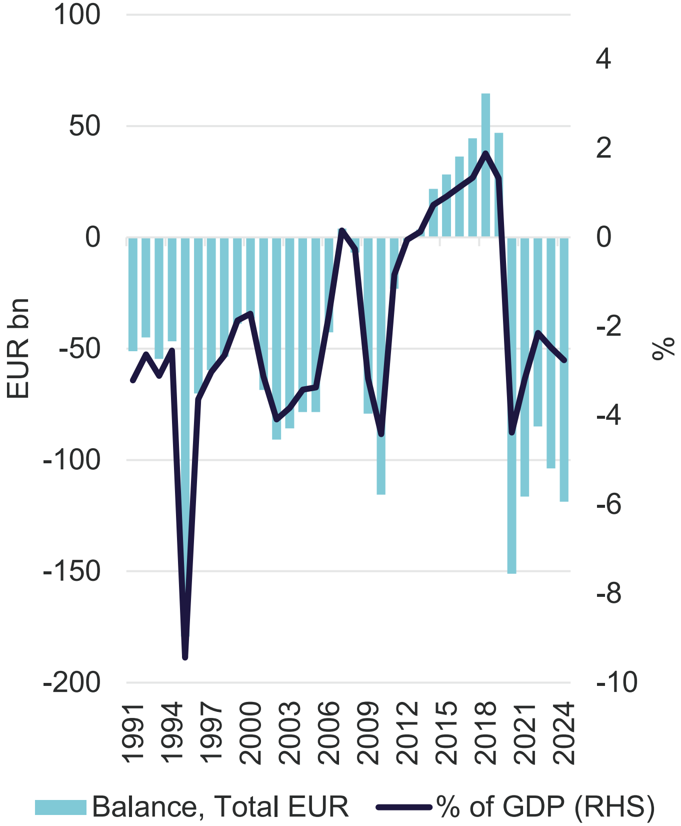
Germany's Change of Course

Business Expectations and Budget Balance

German Ifo* Business Expectation



Germany General Budget Balance



*Source: Ifo Institute, German Federal Statistical Office Statistisches Bundesamt. *A monthly survey measuring German business sentiment, assessing current conditions and expectations for the next six months.*

Impact on CRE

- Germany is easing fiscal policy after a period of strict borrowing limits. The fiscal spending package includes: exemption of defence spending exceeding 1% of GDP from the debt brake limit; a €500bn infrastructure fund; states' ability to run fiscal deficits of up to 0.35% of GDP; and access to 20% of the infrastructure fund.
- This fiscal package is expected to boost Germany's economy, though the full benefits will take time to materialise. Germany's shift toward easing fiscal policy, alongside a substantial infrastructure investment, will benefit CRE by boosting construction. There will be a greater demand for logistics and industrial space as infrastructure upgrades and manufacturing revitalisation take hold.
- Additionally, the fiscal flexibility granted to states could further stimulate regional development.
- Overall, fiscal stimulus creates a more supportive environment for CRE investment and development.

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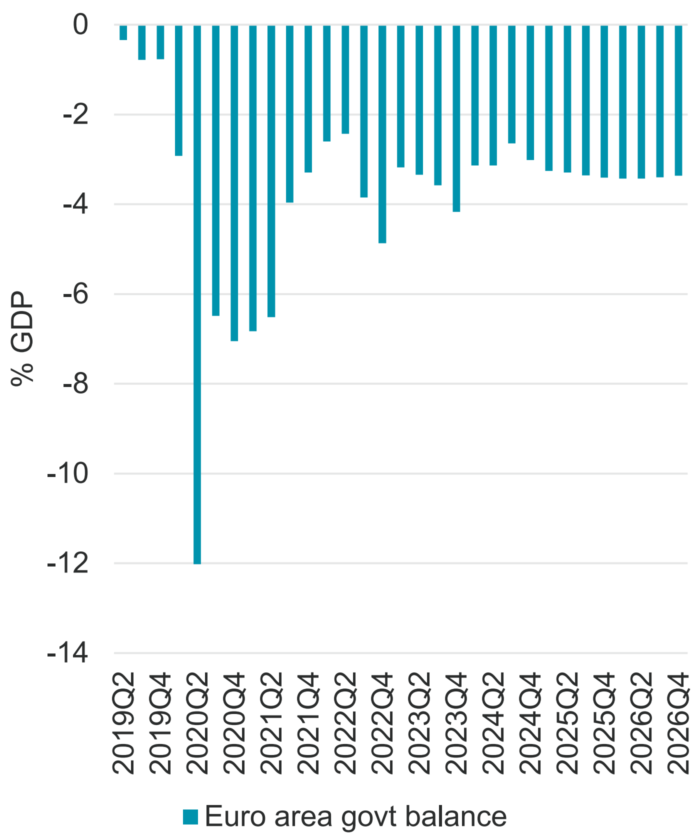
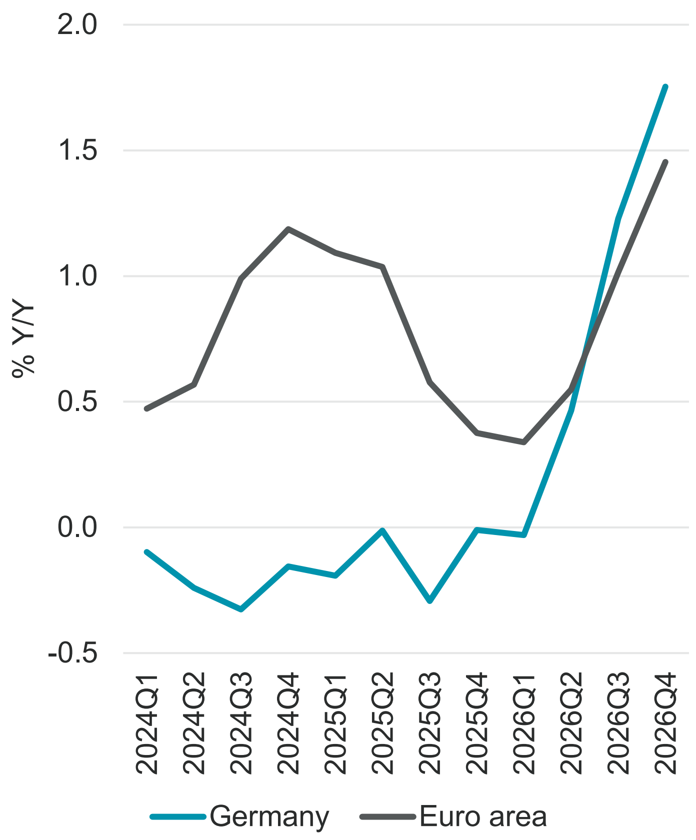
Fiscal Expansion & Rate Cuts to Provide Upside for Europe

Government Balance to GDP Ratio



Euro Area & German GDP Growth



Source: Federal Statistical Office (FSO), Eurostat, Moody's Analytics

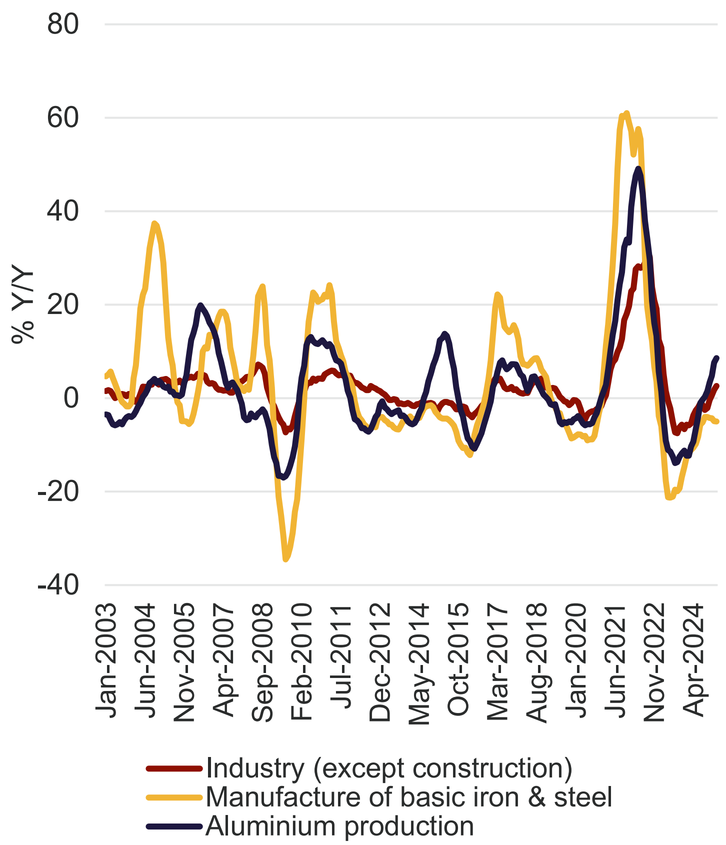
Impact on CRE

- The euro area's shift away from austerity toward more expansionary fiscal policy represents a key shift in economic strategy. Higher public spending is set to lift aggregate demand and provide fresh momentum for growth.
- With inflation near target and more ECB rate cuts expected, financial conditions will likely ease further. This should lower borrowing costs, boost investment and consumption, and support growth—providing meaningful upside to the euro area's outlook.
- A more supportive macroeconomic environment will improve investor sentiment, leading to increased capital flows into European CRE as well as increased demand across sectors.

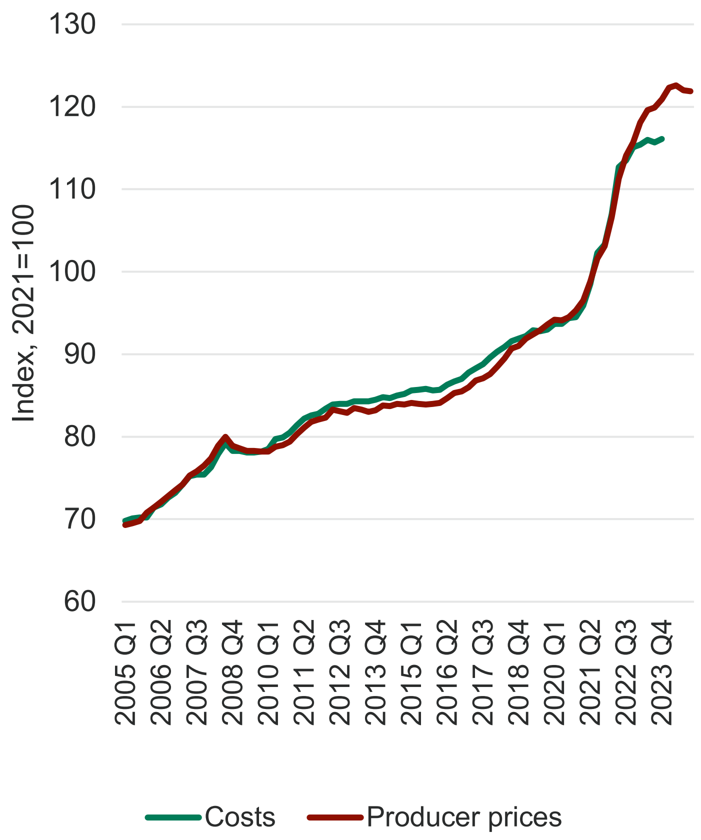
Construction Firms Faced with Higher Costs

Construction Costs

Producer Prices in Industry



Producer Price & Cost Indices



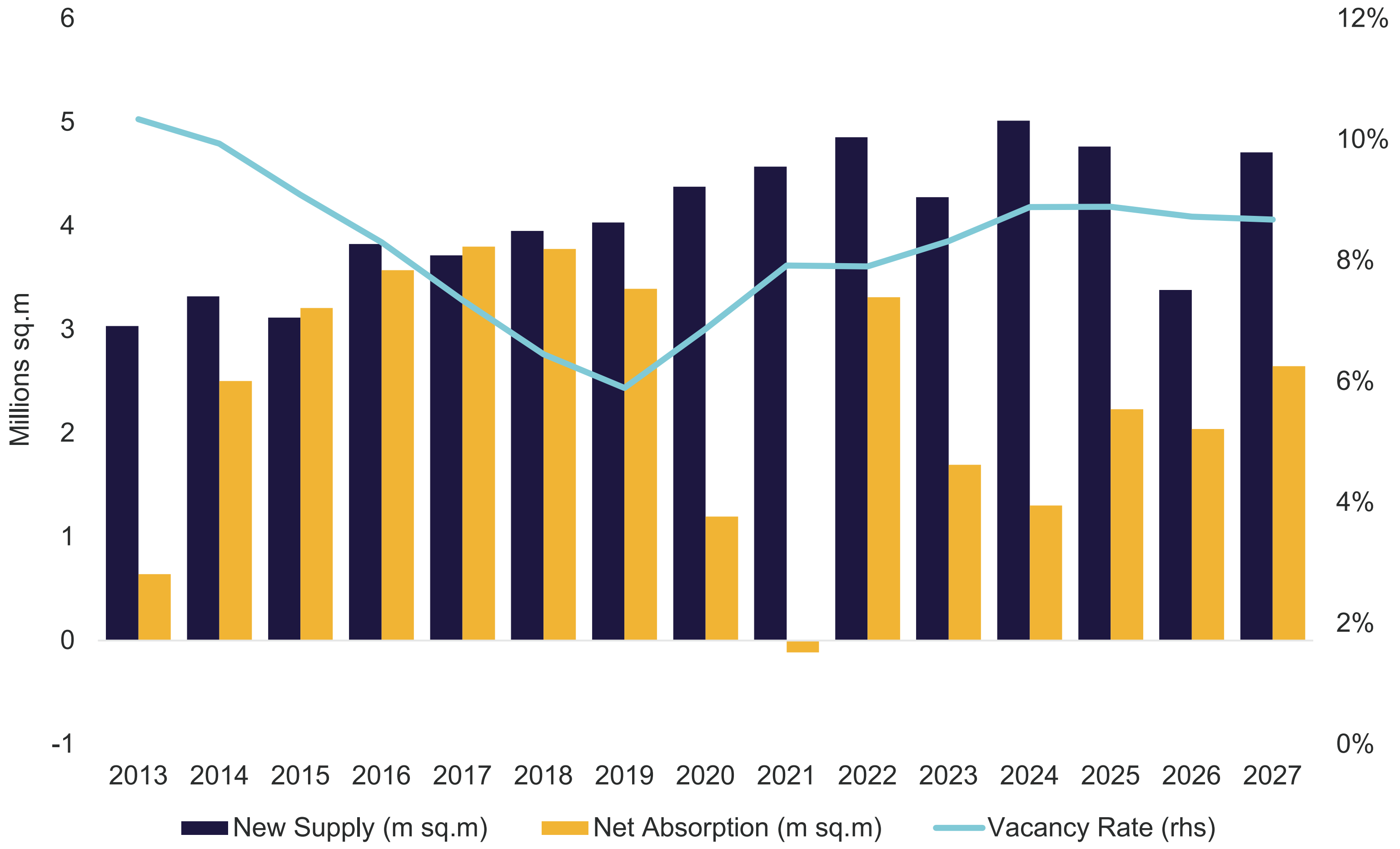
Source: The World Bank, Eurostat

Impact on CRE

- Tariffs on key construction materials such as steel and aluminium are expected to place additional strain on project budgets across the CRE sector.
- However, the impact will vary by asset type as not all sectors are equally exposed to rising construction costs.
- Sectors like industrial and data centres, which, in recent years, have delivered higher returns and stronger rental growth, may be better positioned to absorb these cost increases. Their higher margin profiles provide more flexibility to manage elevated input prices.
- In contrast, sectors such as office and retail often operate within tighter financial margins, making them more vulnerable to fluctuations in construction costs. As a result, these sectors are more likely to experience delays in development or a strategic pivot toward refurbishing existing assets rather than pursuing new ground up developments.

Rising Costs Could Slow Supply Pipeline

New Deliveries and Vacancy Rate



Source: Cushman & Wakefield Research, as of Q3 2024

Impact on CRE

- Rising construction costs are likely to slow the development pipeline, as higher costs lead developers to delay, scale back, or cancel less viable projects.
- This could reduce new supply and put upward pressure on rents in high-demand sectors like logistics and prime office.
- Developers will likely require higher levels of preleasing to secure financing and reduce risk, which may further slow the rollout of new projects.
- Lower economic growth will likely lead to higher vacancy rates in the near term. However, as the development pipeline slows and new supply becomes more limited, vacancy rates are expected to gradually improve beyond the medium term.
- Bottom line: Existing CRE assets could emerge as winners.

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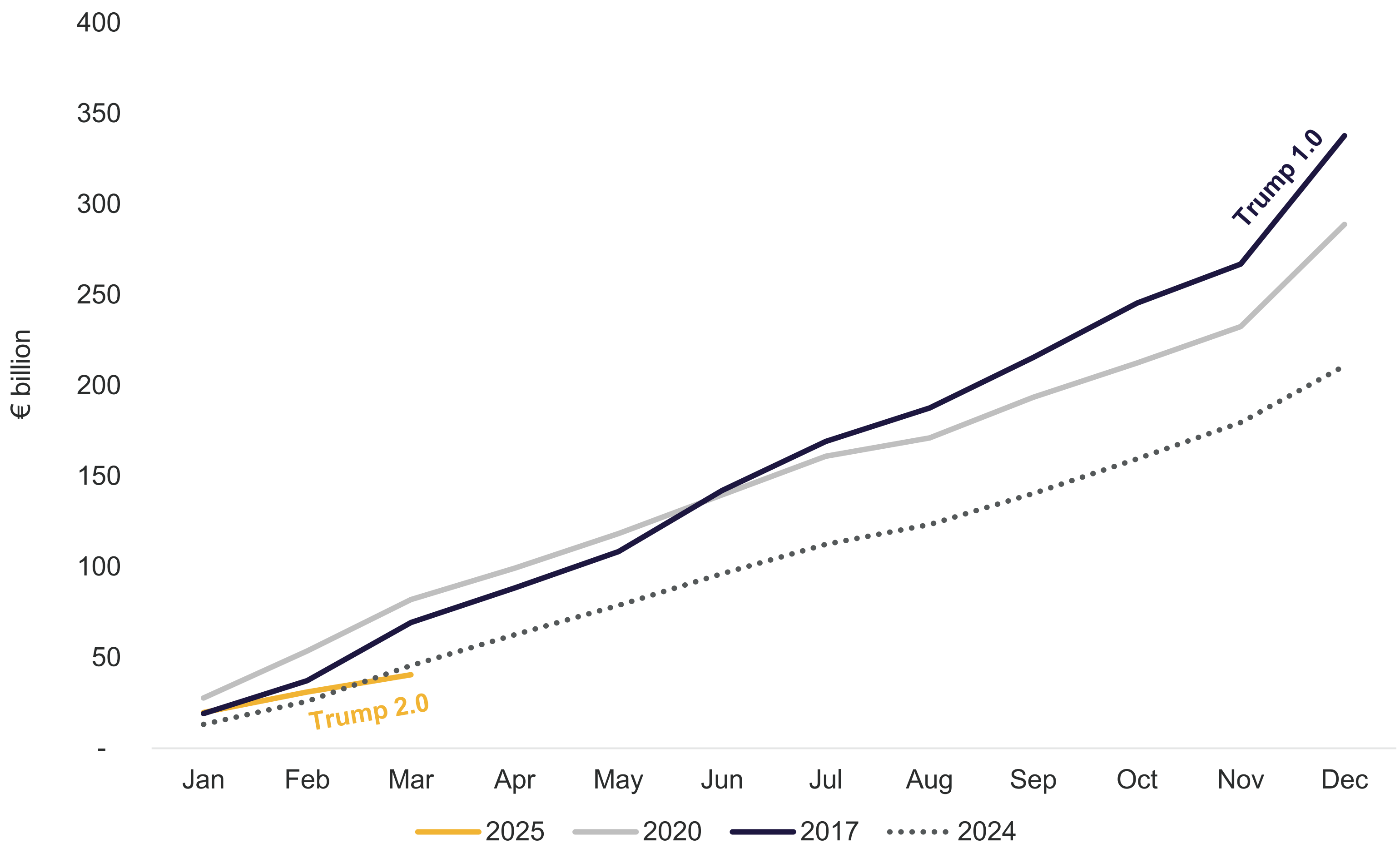
Early Signs of Caution Amid Resilient Start

Investment by Quarter, (€bn)



Source: MSCI Real Capital Analytics

Impact on CRE

- European investment volumes have begun to reflect early indications of market uncertainty, with figures for March showing an 11% decline compared to the same month last year. This dip suggests a cautious sentiment may be emerging among investors.
- However, it's worth noting, even with the slowdown in March, investment activity remained relatively resilient in Q1, with volumes tracking 8% above the same period last year, indicating a solid start despite recent softening.
- Recent fluctuations in bond yields are likely to impact property pricing and cost of capital. However, this shift could reverse swiftly, depending on the duration of tariffs and ongoing uncertainty. Momentum was building as we entered the year, with capital eager to be deployed.

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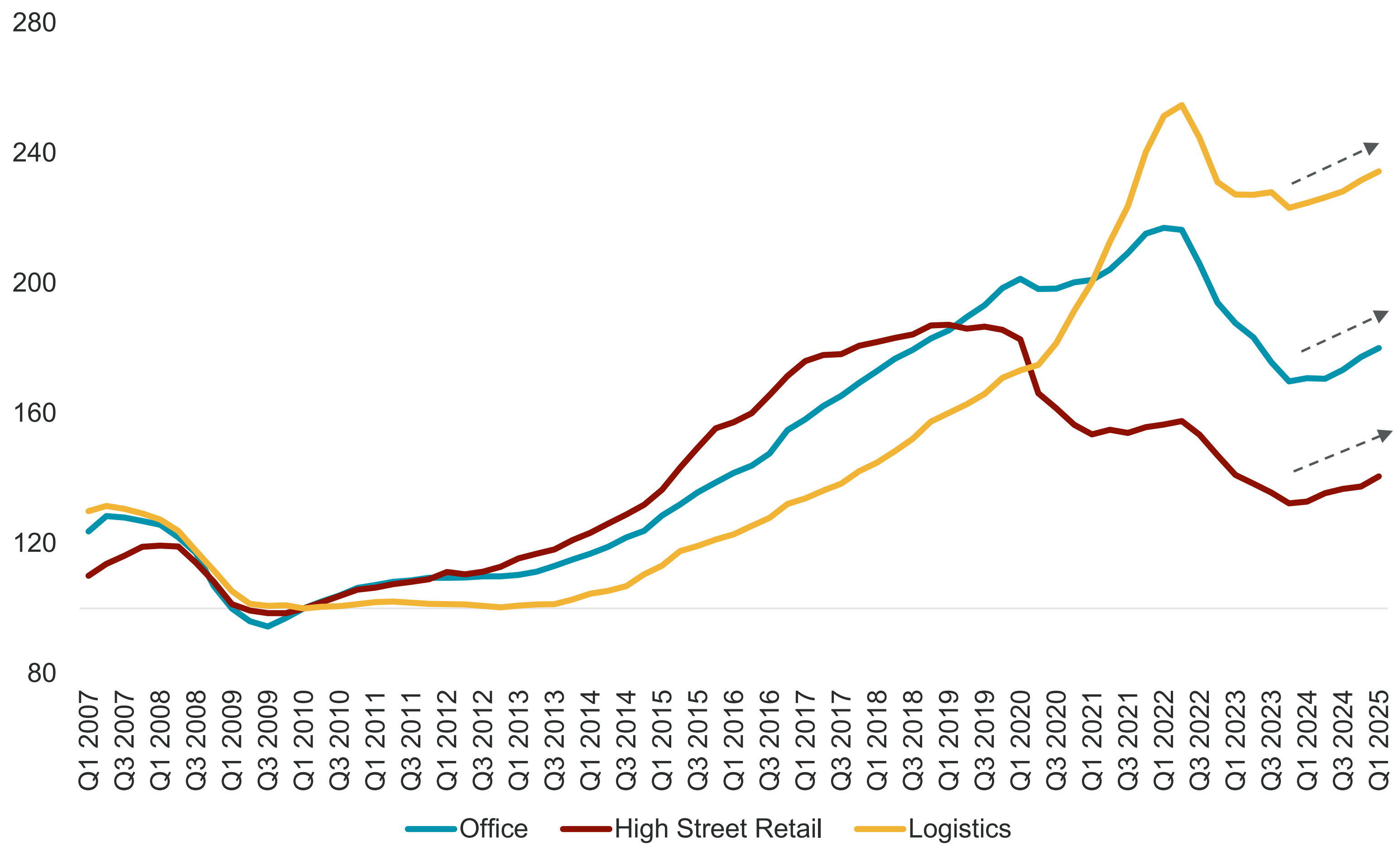
Pricing Remains Resilient

Prime Capital Value Index



Source: Cushman & Wakefield Research

Impact on CRE

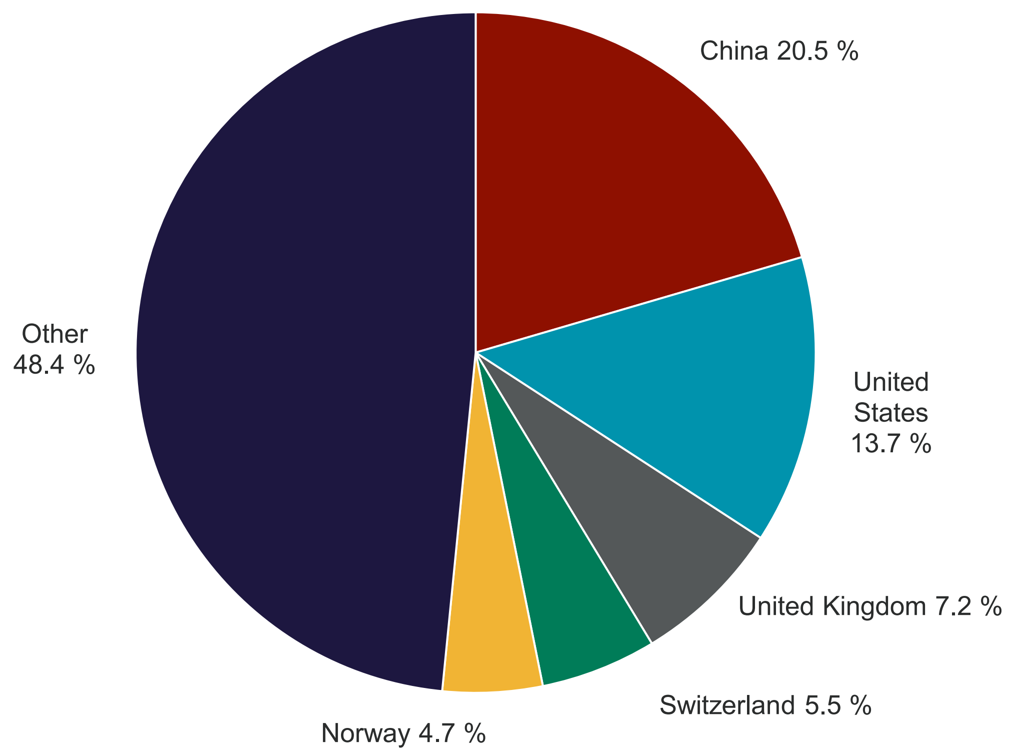
- When central banks began their hiking cycle (2022), office assets saw the steepest decline, with values falling by approximately 22%, followed by high street retail at 16% and logistics at 12%. These declines were sustained over a period of roughly seven consecutive quarters.
- However, following the inflection point in Q4 2023, we have observed the beginnings of a recovery. Since then, capital values have rebounded, registering gains in the range of 5-6% across sectors.
- Looking ahead, and based on our current base case scenario—which factors in the prevailing economic outlook, inflation trends, and movements in bond yields—we anticipate a more sustained recovery.
- We forecast a cumulative increase of above 9% in capital values across all property over the next two years.

KEY POLICY PRIORTIES

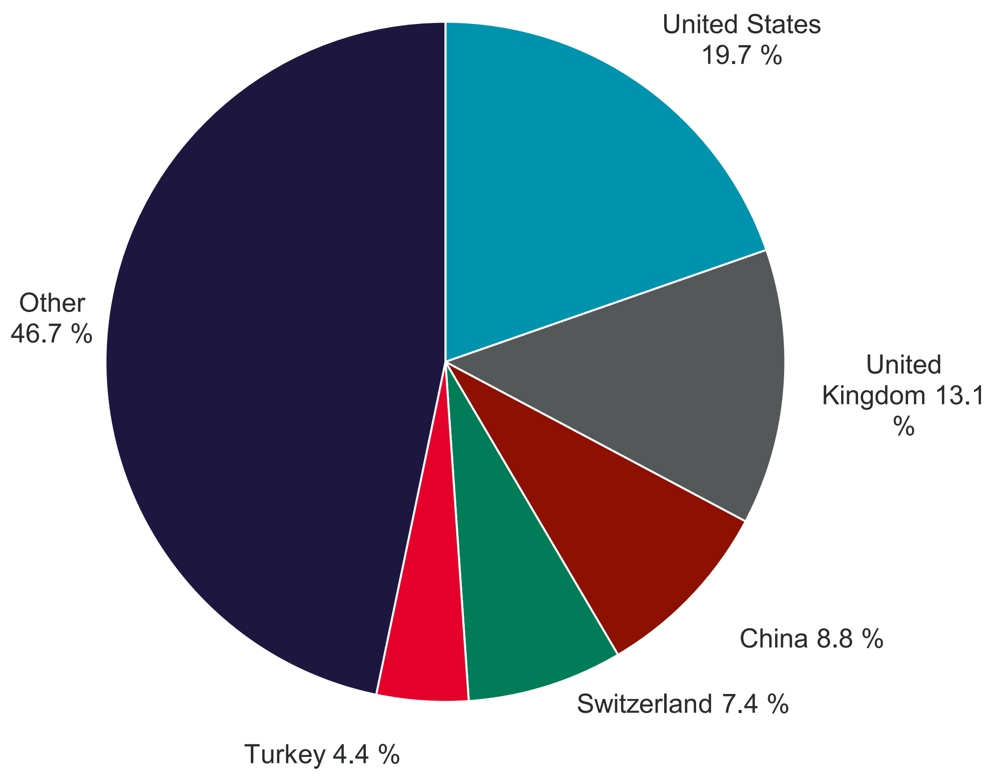
The U.S. is Among EU's Main Trade Partners

EU's Main Partners for Trade in Goods

% Share of Extra-EU Imports



% Share of Extra-EU Exports



Source: Eurostat (2023)

EU Trade with the U.S.

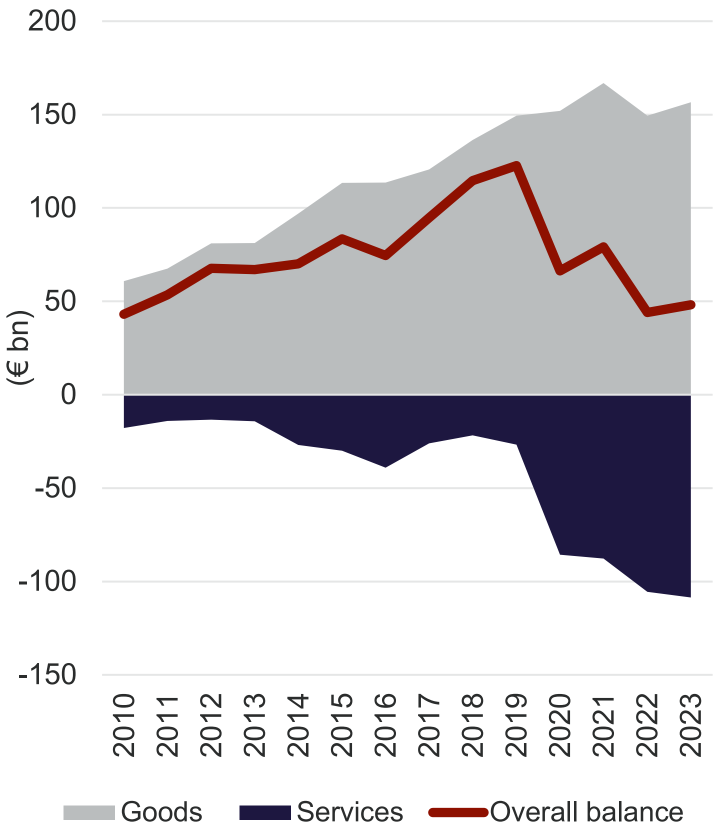
EU Exports of Goods to the U.S.

	€ million	% of the U.S. in extra EU exports
Germany	157,732	22.1
Italy	67,266	22.2
Ireland	51,621	45.8
France	43,892	16.4
Netherlands	40,547	15.5
Belgium	31,324	18.4
Spain	18,904	13.1
Sweden	16,306	19.6
Austria	14,758	23.2
Poland	11,003	12.3
Denmark	9,918	18.5
Finland	8,429	25.5
Czech Republic	5,525	12.6
Portugal	5,235	22.7
Slovakia	4,873	19.8
Hungary	4,371	13.8
Romania	2,149	8.4
Greece	2,117	9.7
Lithuania	1,886	12.1
Bulgaria	1,043	6.5
Slovenia	867	3.1
Croatia	587	7.8
Luxembourg	519	15.9
Latvia	502	6.7

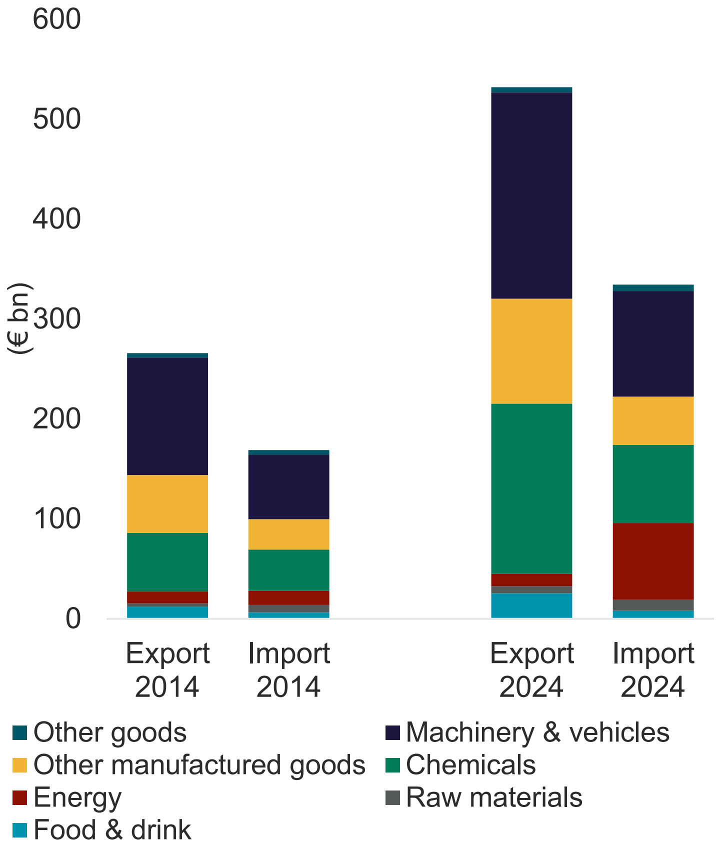
Source: Eurostat (2023)

Trade Flows Between the EU and the U.S.

EU-U.S. Goods Trade Balance



EU Trade with the U.S. by Product



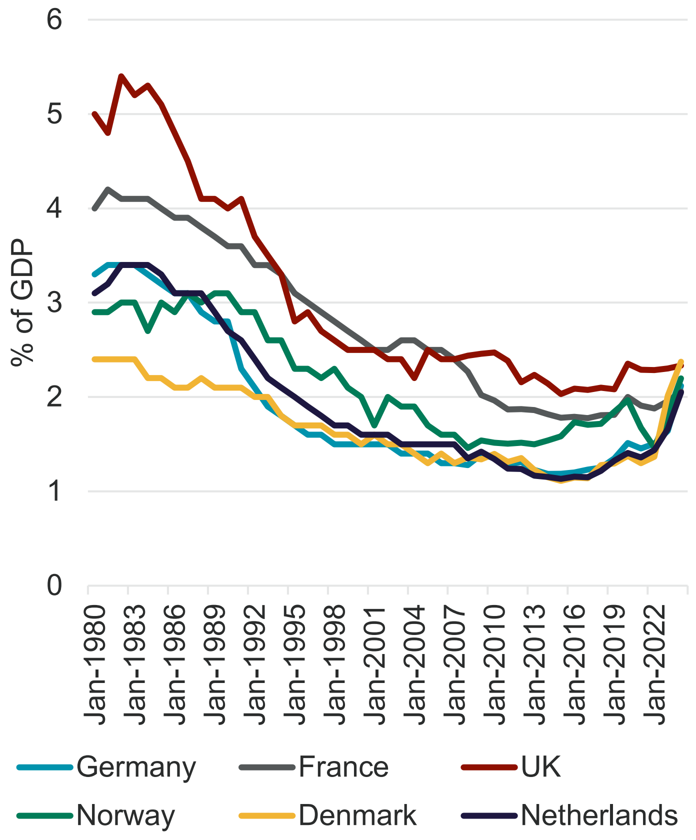
Sources: Eurostat, Moody's Analytics

Impact on CRE

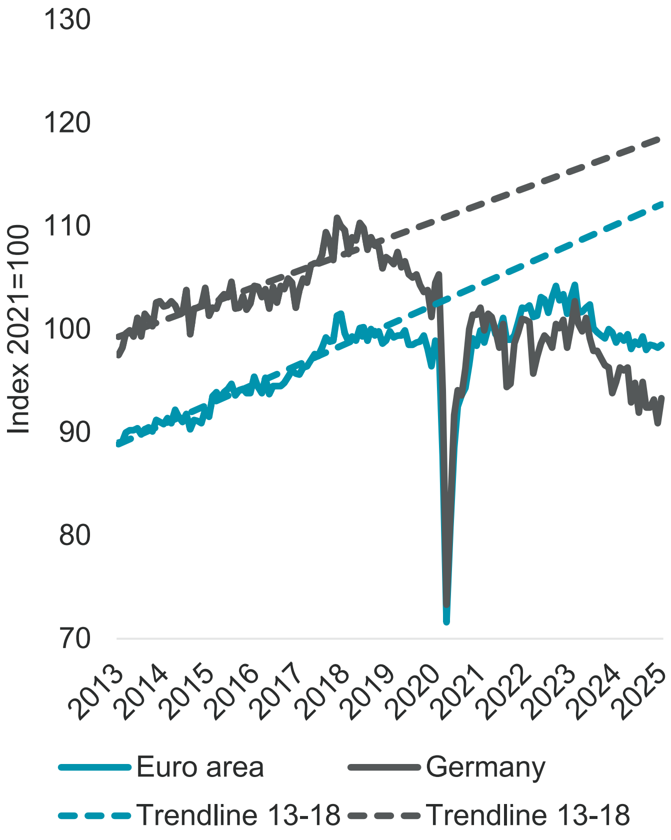
- The primary reason for imposing new tariffs on imports was the ongoing U.S. goods trade deficit with the bloc.
- Goods trade exposure to the U.S. differs notably among EU member states. Countries with strong pharmaceutical sectors—such as Ireland and Belgium—are particularly prominent, with U.S. exports accounting for 11% and 6% of their GDP, respectively.
- Tariffs are likely to have an uneven impact on CRE, depending on sector and country. Logistics and retail may face higher construction and operating costs due to higher prices on imported goods and materials, potentially delaying developments and squeezing margins.
- Export-oriented countries like Germany and the Netherlands could see weakened industrial activity as trade slows. However, short-term stockpiling to avoid future tariff costs may drive temporary demand for warehouse space, offering some near-term support for logistics assets.

Reversing Defence Spending Cuts Could Give a Vital Boost to Manufacturing

Long-term Defence Spending Patterns



Euro Area Industrial Production



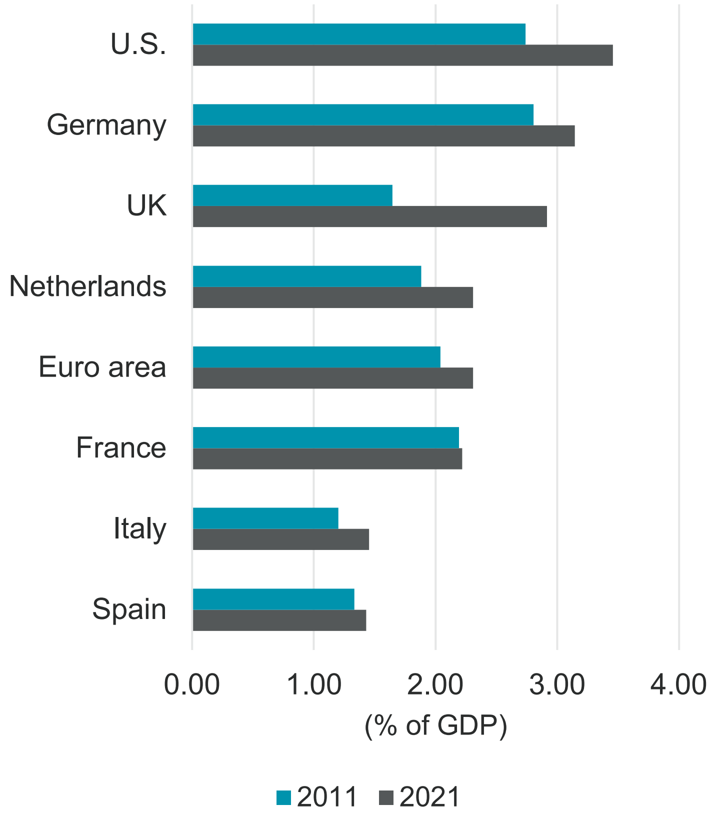
Source: Eurostat, Moodys Analytics

Impact on CRE

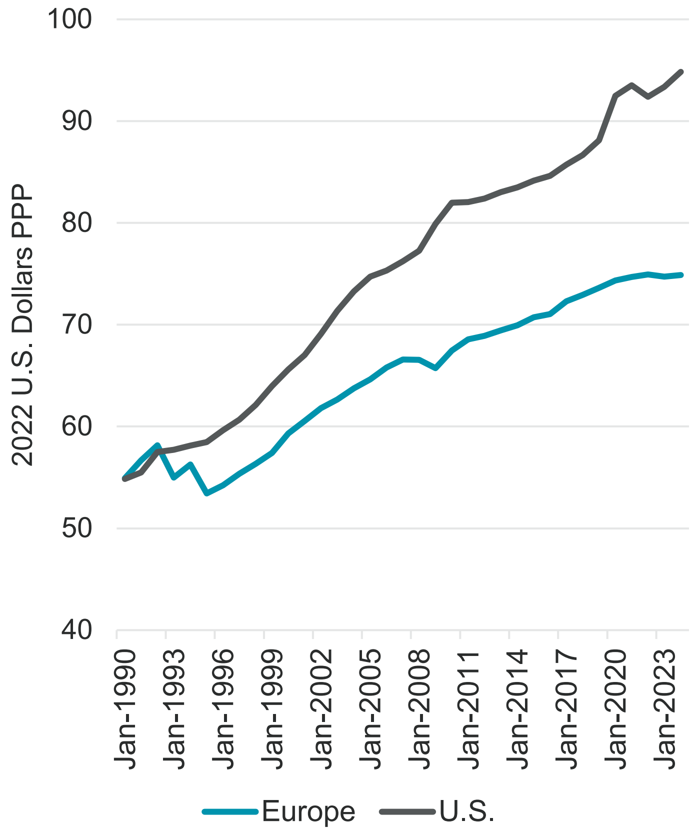
- The Trump administration's push for NATO allies to increase defence spending has prompted the EU to propose easing fiscal rules to allow greater investment in military capabilities. Europe aims to increase defence spending by up to 1.5% of GDP. The EU has committed up to €150 billion in loans, with additional resources from the European Investment Bank.
- Rising defence spending could deliver a much-needed boost to Europe's lagging manufacturing sector, supporting job creation and economic resilience.
- Increased defence spending can have multiple ripple effects that support demand for CRE, and expansion of defence-related government departments and agencies can result in increased demand for office space. With defence budgets often tied to innovation in tech and engineering, increased spending may stimulate growth in high-tech corridors, pushing up demand for specialised office or lab space.

R&D Key in Addressing Europe's Productivity

R&D* Expenditure



Labour Productivity Per Hour Worked



*Source: World Bank, Conference Board TED *This indicator covers R&D conducted by resident companies, research institutes, universities, and government labs, including foreign-funded R&D but excluding domestic funds for R&D performed abroad.*

Impact on CRE

- According to a report by the Kiel Institute, Euro area GDP could grow by 0.9% to 1.5% if defence spending increases from 2% to 3.5% of GDP.
- Furthermore, a 1% increase in military spending as a share of GDP could boost long-term productivity by 0.25%, driven by R&D. R&D spending is identified as one of the three main factors to address Europe's lagging productivity, according to the Draghi report.
- As R&D is a key driver of long-term productivity, regions benefiting from this investment may see stronger economic fundamentals, supporting occupier demand.
- Given the links of productivity to GDP, every 0.5% increase to GDP typically boosts office net absorption by 0.8%, meaning more space was leased than vacated — a sign of demand growth.

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WHAT TO WATCH

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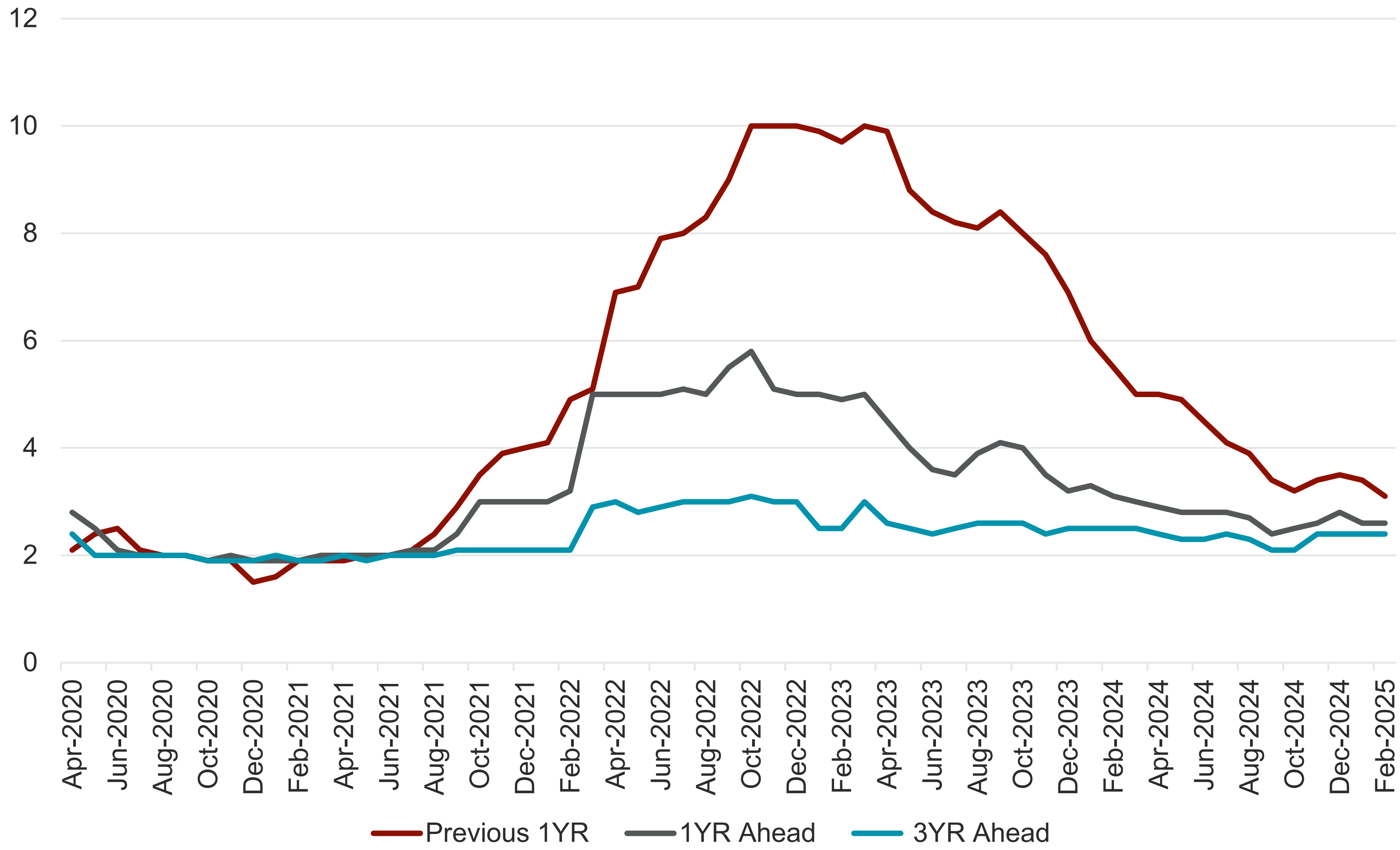
Inflation Expectations

Euro Area Inflation Expectations Holding Steady So Far in 2025



Source: European Central Bank

Impact on CRE

- Unlike in the U.S., inflation expectations in Europe have remained largely stable during the first 100 days of President Trump's term.
- According to the ECB's Consumer Expectations Survey, as of February 2025, the median household expects inflation to rise by 2.6% over the next 12 months.
- Inflation expectations remain relatively well-anchored—an important factor for central bank policy. As long as expectations stay within a reasonable range, long-term bond yields are likely to remain at levels supportive of CRE transactions. This will be a key indicator to monitor in the months ahead.

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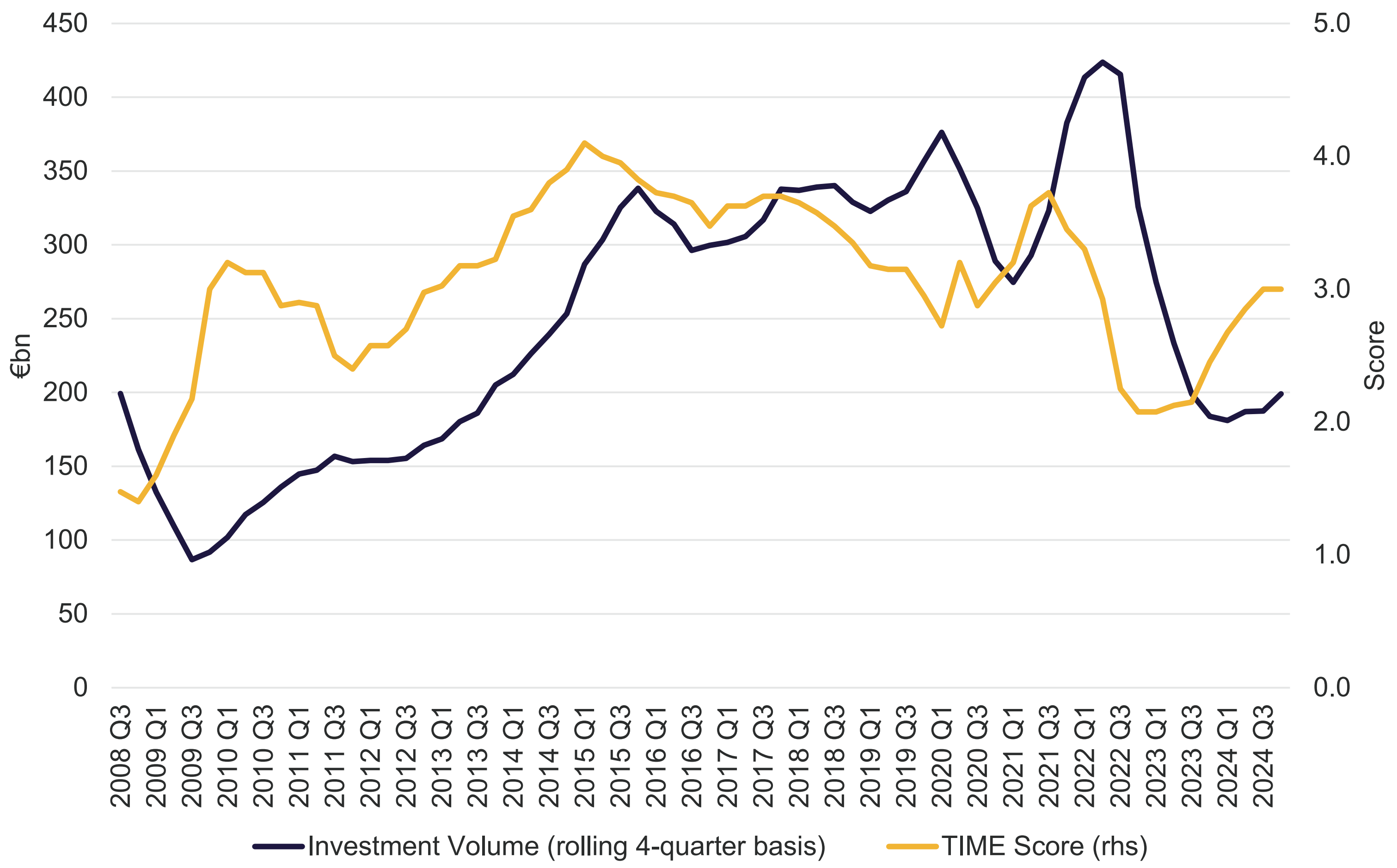
C&W TIME Score vs Investment Volumes – Europe All Property



Source: Cushman & Wakefield Research, MSCI RCA

Impact on CRE

- C&W's TIME score Is a leading indicator, historically showing a strong correlation with CRE investment volumes. The latest reading for Q1 2025 holds steady at 3.0, maintaining its position at a critical inflection point and providing a snapshot of what to expect through Q3 2025.
- Positive movement in momentum indicators—such as liquidity, the share of cross border capital, average deal size, and economic sentiment—signalled growing investor confidence. However, further gains in the overall score were tempered by weakness in both cyclical and growth indicators. Persistent inflation, sluggish economic activity, and early year declines in REITs' performance contributed to the drag. Additionally, volatility in the 5-year swap rates created a more cautious investment climate.
- The TIME score is an indicator to watch, tracking key market shifts in the CRE landscape. Looking ahead, should volatility subside, we could see the score begin to climb again—signalling renewed market momentum.

What it Means for Occupiers & Investors

Occupiers

- **Maintain a long-term perspective:** Continue to implement workplace strategies with a focus on long-term objectives.
- **Leverage tariffs and uncertainty:** Use the current environment of tariffs and uncertainty to your advantage in shaping business strategies and negotiations.
- Regardless of tariff impacts, it is essential for manufacturers to **diversify supply chains as a prudent risk** management strategy.
- Large corporations are likely to capture increased market share post uncertainty. **Position your organisation for growth** by preparing for future opportunities.
- **Take a proactive approach by targeting high-quality assets and locations**. As the availability of premium options becomes limited, this will become an increasingly competitive market.
- **Re-evaluate and re-assess your real estate strategy** in alignment with your business outlook. Determine your organisation's risk profile and tailor your approach accordingly to optimise space utilization.

Investors

- **Focus on the investment horizon:** Prioritise long-term real estate investments, as consistent value appreciation typically occurs over time.
- **Take advantage of market volatility:** Overlook short-term market fluctuations and strategically acquire assets from sellers motivated by uncertainty.
- **Interest rates are unlikely to return to pre-pandemic levels:** Seize opportunities when long-term debt dips below historical averages and strategically allocate capital.
- **Capitalise on short-term rate movements:** Central banks are likely to continue normalising rates, with more cuts if economic conditions weaken. Leverage these changes to optimise your investment strategy.
- **Re-assess investment strategy:** Evaluate your risk profile and begin executing an updated strategy tailored to current market conditions.

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ABOUT CUSHMAN & WAKEFIELD

Cushman & Wakefield (NYSE: CWK) is a leading global commercial real estate services firm for property owners and occupiers with approximately 52,000 employees in nearly 400 offices and 60 countries. In 2024, the firm reported revenue of $9.4 billion across its core service lines of Services, Leasing, Capital markets, and Valuation and other. Built around the belief that *Better never settles*, the firm receives numerous industry and business accolades for its awardwinning culture. For additional information, visit www.cushmanwakefield.com.