

REVIEW

RESIDENTIAL MARKET

EUROPE NOVEMBER 2025

RESEARCH & INSIGHTS



**BNP PARIBAS
REAL ESTATE**

Real Estate for a changing world



NOV 2025

RESIDENTIAL MARKET EUROPE

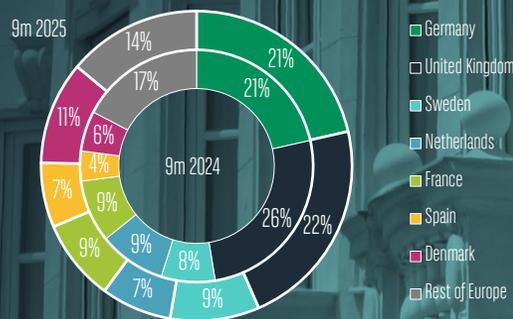
Residential market activity continues to be driven by smaller-scale deals. 2025 has been marked by limited portfolio supply and fewer large-scale deals.

KEY FIGURES

€29.3bn ^{+7% y/y}
TOTAL VOLUME INVESTED OVER 9 MONTHS 2025

20% ^{+26 bps y/y}
SHARE OF RESIDENTIAL IN TOTAL REAL ESTATE INVESTMENT VOLUME OVER 9 MONTHS 2025

Country share of residential investment volume



INVESTMENT VOLUME

The European residential investment volume reached €29.3bn over the 9 months of 2025, an increase of 7% compared to the same period last year. The decrease of large-scale deals, means smaller-scale deals continue to drive residential market activity keeping the sector's share of volume at 20% of total real estate investment.

Government bond yields rose by an average of 7 bps q/q, while residential city yields remained unchanged compared to the previous quarter. Consequently, the spread decreased in Q3 2025, it now ranges from 64 bps in Warsaw to 203 bps in Lisbon.

The countercyclical nature of residential property continues to be a factor in fueling investor attention. Investors expect robust rental growth in the sector as the imbalance between demand and supply persists in large cities.

However, the sector faces two main challenges. The first is the threat of much tougher rental regulation across Europe. There is an inconsistent approach across Europe with some countries debating introduction of rental capping. The second is a lack of large lot sizes (especially portfolios) that enable investors to buy at scale. Hence, over the 9 months of 2025, only 39% of deals are portfolios.

Transactions above €100M account for 26% of the total volume and 30 deals out of the 686 closed. Greater activity occurred in the €100-€200M segment where 22 transactions occurred, 4 deals more than the same period of last year. Deals below €50M are where most activity occurred at 47% in volume and 563 transactions, 55 more than the same period of last year.

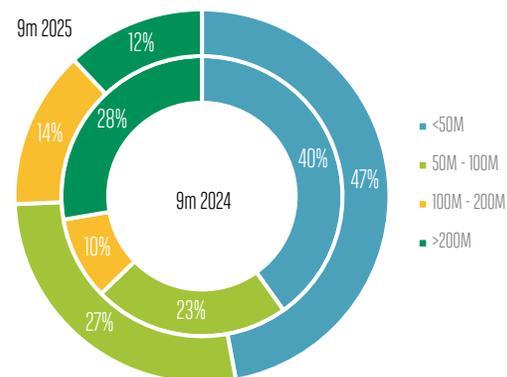
Over the 9 months of 2025, Private Investors were the most active buyers (42%) in the market, driven by ample liquidity and a strong appetite for seizing new opportunities. They were followed by Investment Managers (28%) who are increasingly focused on diversifying their portfolios. Private Investors increased their market share compared to the same period of last year, by 7 p.p while Investment Managers' market share remained stable.

British and German buyers were the most active investors in the residential sector. Danish (11%), Swedish and French (9%) buyers were also more active. The deployment of capital by British (-4 p.p) and Dutch (-2 p.p) investors was lower than a year ago.

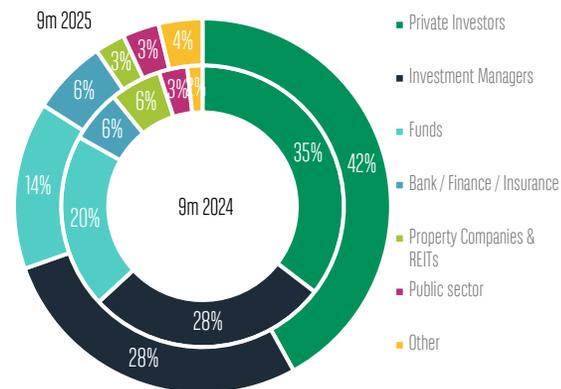
European residential investment volume



Breakdown by volume



Buyer typology





RESIDENTIAL PRICES

Residential prices across European cities expanded on aggregate by +4.6% in Q2 2025 vs Q2 2024.

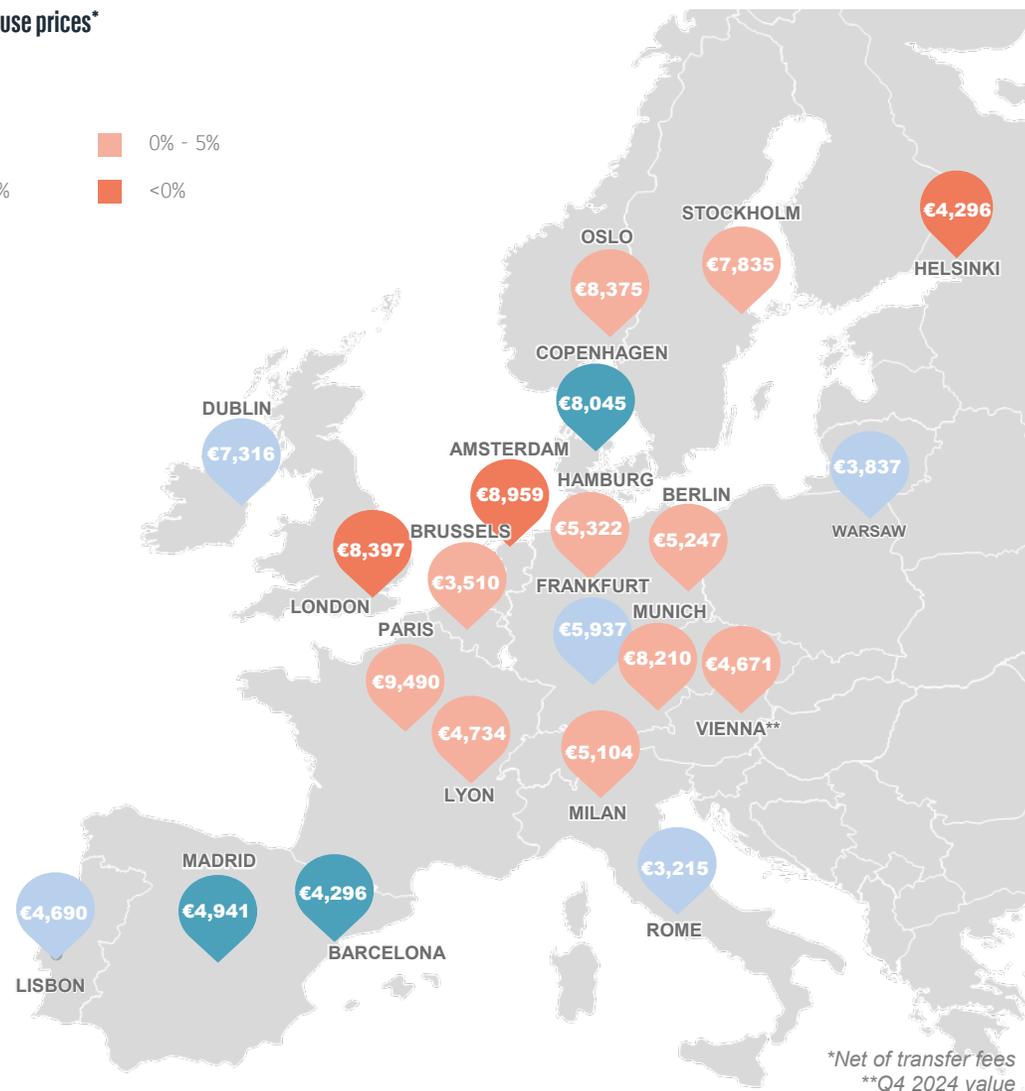
5 cities experienced double-digit growth, including Valencia (+23%), Madrid (+20%), Copenhagen (+15%), Barcelona (+12%) and Sevilla (+10%). This is mainly due to the high residential demand from local and foreign buyers and the limited housing supply. In Spain, second homes and luxury residences are the most sought-after. Copenhagen is viewed as a stable yet promising market, supported by solid central-areas property gains and a strong pipeline of development projects.

In contrast, house prices continued to fall in London (-3% y/y). Uncertainty over new property taxes is a major factor behind falls in prices. House price decline was also observed in Amsterdam and Helsinki (-2% y/y).

In most European cities, mortgage rates have fallen because of monetary easing: Euro area mortgage rate stands at 3.31% in Q3 2025, a decrease of 33 bps y/y. However, household housing purchasing power is expected to remain weak across cities. An improvement is not necessarily expected due to rising property prices. The pathway for HPP will depend on whether lower interest rates or higher prices dominate market activity.

Residential house prices*

€/sqm - Q2 2025



*Net of transfer fees
**Q4 2024 value

Source: BNP Paribas Real Estate, ECO, National banks

Mortgage rates

Q3 2025 rates (%) and q/q variations (bps) compared to Q2 2025

Countries	Rates		Countries	Rates		Countries	Rates	
Austria	3.38	-1bps q/q	Germany	3.75	+7bps q/q	Poland	7.32	-26bps q/q
Belgium	3.36	+12bps q/q	Ireland	3.58	-2bps q/q	Portugal	2.85	-7bps q/q
Denmark	4.76	-6bps q/q	Italy	3.28	+8bps q/q	Spain	2.67	-2bps q/q
Finland	2.80	+6bps q/q	Netherlands	3.48	-11bps q/q	Sweden	3.11	-11bps q/q
France	2.99	-2bps q/q	Norway	5.02	0% q/q	United Kingdom	6.00	-25bps q/q

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RESIDENTIAL MARKET EUROPE

KEY FIGURES

EUROPEAN RENTS HIT NEW RECORD HIGHS

IN 17 CITIES

+4.4% vs. Q2 2024

IN Q2 2025 - EUROPE

+12% vs. Q2 2024

ROME RENTAL GROWTH IN Q2 2025

Demand in the letting market continues to rise despite high rental values. The factors supporting this dynamic include lower purchase affordability, greater profitability of short-term tourism rental and supply shortages. The latter is created by a lack of new housing construction and magnified in some cities by rent regulations.



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RENTS

Despite central bank rate cuts, housing purchasing power remains lower in most European cities than 3 years ago: **reduced ability to buy persists. Consequently, rental demand is increasing, leading to rental growth at European level by +4.4% y/y in Q2 2025.**

Most European cities experienced rent growth during Q2 2025. Double-digit rental growth occurred in 3 of the 31 markets monitored: Rome (+12% y/y), Madrid (+11% y/y), and Valencia (+10% y/y).

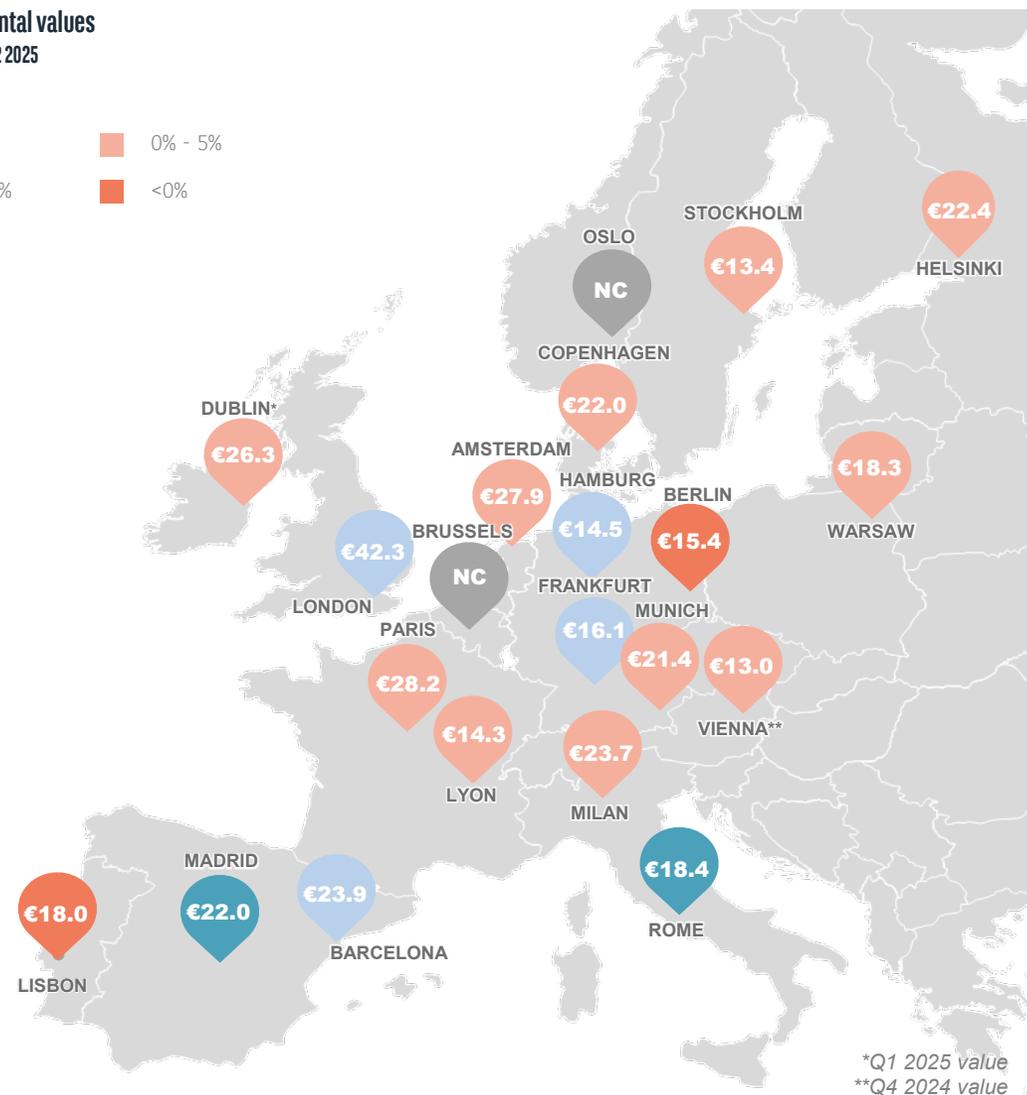
Rent growth disparities have emerged, mainly across Italian and Dutch cities. While Milan recorded 3% y/y growth, Rome experienced a sharp 12% y/y rise. Similarly, in the Netherlands, Amsterdam showed 1% growth, whereas Rotterdam saw a 7% y/y increase. This trend suggests a spillover effect, with **rental growth spreading to other major cities**, as people seek accommodation outside country's capitals that have the most expensive rents.



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Residential rental values

€/sqm/month - Q2 2025



*Q1 2025 value
**Q4 2024 value

Source: BNP Paribas Real Estate



NOV 2025

RESIDENTIAL MARKET EUROPE

KEY FIGURES

1.2M HOUSING PERMITS

OVER THE 9 MONTHS OF 2025 - EUROPE

-12% compared to the same period of last year

IN 18 EUROPEAN CITIES

RENTAL DEMAND IS EXPECTED TO INCREASE

Financing conditions

With inflation stabilized, central banks have initiated a new cycle of monetary easing. Despite this, house prices and renovation costs continue to weigh heavily, discouraging purchases for investment or occupation.

Nevertheless, the current easing financial conditions create opportunities, especially for larger players to take advantage of housing needs.

Lack of supply persists

1.2 million housing permits were recorded in Europe over the 9 months of 2025, a 12% y/y decrease. This decline is partly explained by a loss of confidence from developers. The reduced purchasing power continues to create demand uncertainty. The complexity of obtaining building permits from the municipality and weaker economic sentiment are factors aggravating the lack of new construction.

Rental demand expected to remain high

The buy vs rent ratio measures the relationship between the monthly mortgage repayment and the monthly rental value of the same purchasable area. The ratio was higher than 1 in 18 European cities in Q2 2025, suggesting buying is more expensive than renting. Consequently, rental demand is expected to grow in these places, especially in Stockholm, Copenhagen and the German and French cities.

Rental market regulations

The strength of rental market regulations varies across European cities. Measures such as rental uplift limits were introduced in Vienna, Barcelona, Berlin and Paris.

In contrast, cities in the UK and Finland often have fewer rental controls.

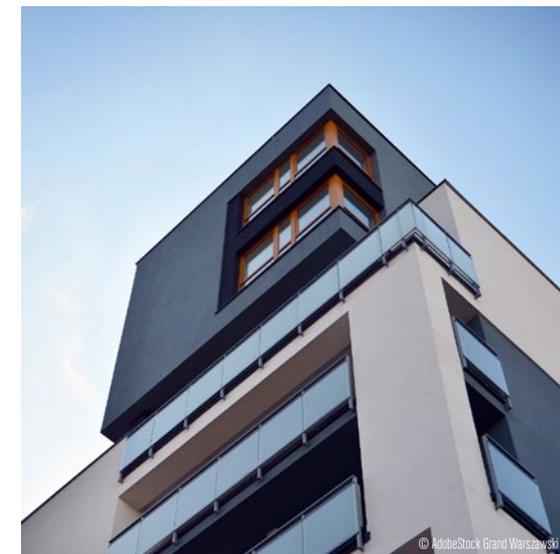
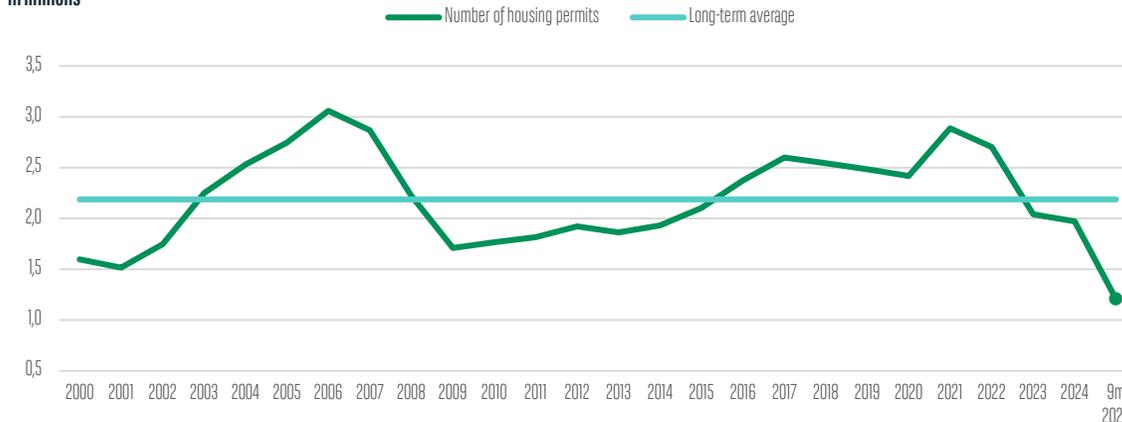
The EU's short-term rental regulation shall come into effect in May 2026. It requires owners to register their properties for let.



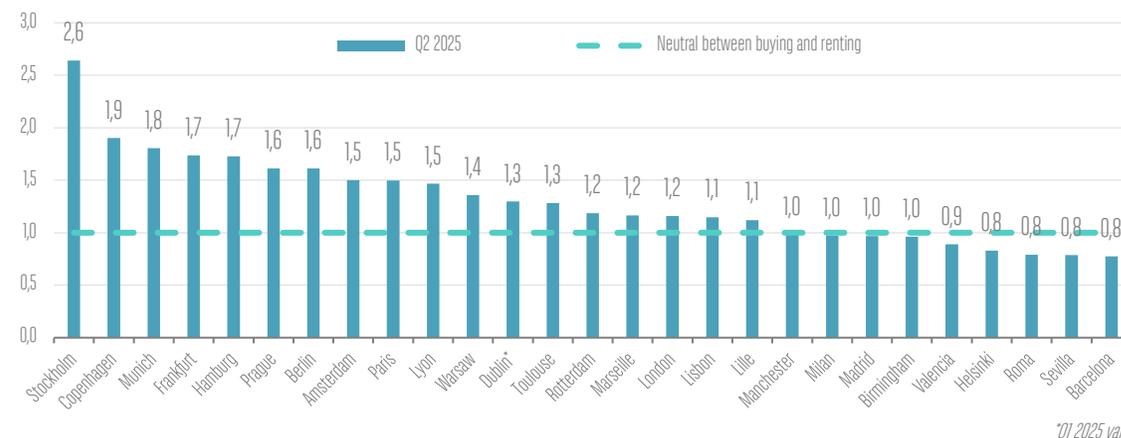
MARKET FUNDAMENTALS

Housing permits in Europe

in millions



Buy vs rent ratio



*Q1 2025 value

Source: BNP Paribas Real Estate



SEPT 2025

RESIDENTIAL MARKET
EUROPE



GLOSSARY & DEFINITIONS

BNP Paribas Real Estate is working on producing indicators which are as comparable as possible. This is a complex issue, due to cultural differences from market to market. Nevertheless, as we aim to actively contribute to the transparency of the markets, we have highlighted those definitions and indicators which are strictly comparable, so that our readers can understand what the indicators mean.

Exchange Rates into € are the average value observed over the quarter.

INVESTMENT

Investment volume takes into account all residential transactions registered by BNP Paribas. Quoted investment volumes are not definitive and are consequently subject to change.

Full-year investment volumes are made up by adding the four quarters of each year.

Investment volume by investor/seller type refers to the following categories: Bank / Finance / Insurance, Private Investors, Public Sector, Property Companies & REITS, Investment Manager, Funds and Other.

Investment volume by investor/seller nationality refers to the following categories: Eurozone, Non-Eurozone, North America, Other America, Asia, Middle East, Australia, International and Other.

LETTINGS & SALES

Mortgage rates refer to the composite cost-of-borrowing indicator for households for house purchase and are expressed in quarterly averages (ECB's definition), in %.

Inflation (HCPI) is a broad increase in the prices of goods and services that are bought for consumption purposes (ECB's definition). The European Central Bank's (ECB) inflation target is 2%.

House prices refer to the average or median or hedonic price per square meter of all dwelling types (apartments, detached, semi-detached...) of a municipality.

Rental values are the average or median or hedonic rent per square meter per month of all dwelling types (apartments, detached, semi-detached...) of a municipality.

Supply shortage refers to the case when demand for dwelling is higher to disposable supply.

Yield refers to the ratio of rental return over the house price. To determine the **net yield**, additional housing expenses (insurance, rates, taxes and all other general building expenses) should be deducted.

- Yield compression refers to reduction in the nominal yield value. This can be due to a rise in dwelling's market value, or a fall in rental return, or even due to an increase in additional housing expenses, etc.
- Yield decompression refers to an increase in the nominal yield value, this can be due to an increase in rental return, or a decrease in the dwelling's market value or even due to a fall in additional housing expenses, etc.

Housing purchasing power is a more complete indicator that considers several effects such as the change in mortgage rates, household income and house prices. It enables the computation of the volume of square meters a household can purchase earning a local median income, borrowing money over 20 years at the local mortgage rate, for a local average price per square meter.

Rental affordability or rental burden represents the share of housing expenditure for a 60 sqm dwelling in the household disposable income

Buy or rent ratio shows the relationship between the monthly mortgage repayment and the monthly rental value of the same purchasable area. If the result is:

- < 1: buying can be more preferably to renting, rent is higher than monthly mortgage repayment.
- = 1: to buy or to rent can be indifferent for household due to same monetary value to pay by buying or by renting.
- > 1: renting can be preferably to buying, monthly mortgage repayment is higher to monthly rent for the same purchasable area.



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SEPT 2025

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