

REVIEW

RESIDENTIAL MARKET

EUROPE FEBRUARY 2026



RESEARCH & INSIGHTS



**BNP PARIBAS
REAL ESTATE**

Real Estate for a changing world



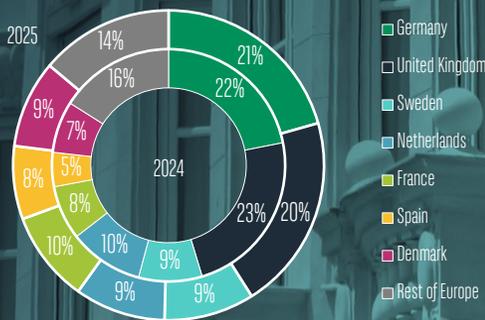
Residential market activity continues to be driven by small and mid-scale deals. 2025 was marked by more transactions overall, though fewer large-scale deals where supply remains limited

KEY FIGURES

€43.2bn TOTAL VOLUME INVESTED OVER 2025 +2% y/y

20% SHARE OF RESIDENTIAL IN TOTAL REAL ESTATE INVESTMENT VOLUME OVER 2025 -118 bps y/y

Country share of residential investment volume



INVESTMENT VOLUME

The European residential investment volume reached €43.2bn over 2025, an increase of 2% compared to last year. A decrease of large-scale deals meant small and mid-scale transactions drove residential market activity. That kept the sector's share of volume at 20% of total real estate investment.

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.

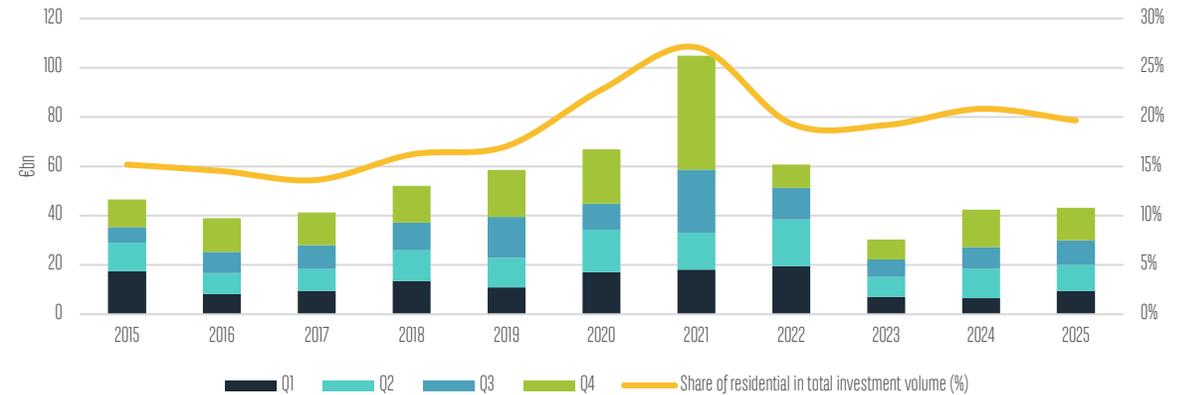
However, the sector faces two main challenges. The first is the threat of much tougher rental regulation across Europe. There is an inconsistent approach across Europe, with some countries debating the introduction of rental capping. The second is a lack of large lot sizes (especially portfolios) that enable investors to buy at scale. Hence, over 2025, only 39% of deals were portfolios, the lowest level since 2007.

Transactions above €100M account for 28% of the total volume and represent 49 deals out of the 967 closed. Activity in the €100-€200M segment was stable with 37 transactions, only 1 deal more than last year. Deals below €50M accounted for most of the activity occurred at 46% in volume and 788 transactions, 58 more than last year.

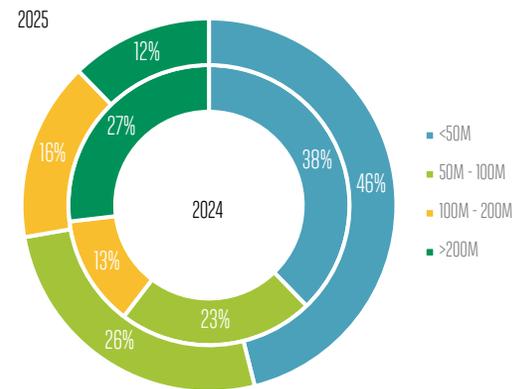
Over 2025, Private Investors were the most active buyers (39%) in the market, driven by ample liquidity and a strong appetite for seizing new opportunities. They were followed by Investment Managers (32%) who are increasingly focused on diversifying their portfolios. Private Investors and Investment Managers increased their market share compared to last year, both by 4 p.p.

German (21%) and British (20%) buyers were the most active investors in the residential sector, they were followed by the French (10%), Dutch, Swedish and Danish (9%) and Spanish (8%). The deployment of capital by British (-3p.p), German and Dutch (-1p.p) investors was lower than a year ago. While the Spanish (+3p.p), French and Danish (+2p.p) and Swedish (+1p.p) improved their residential impact.

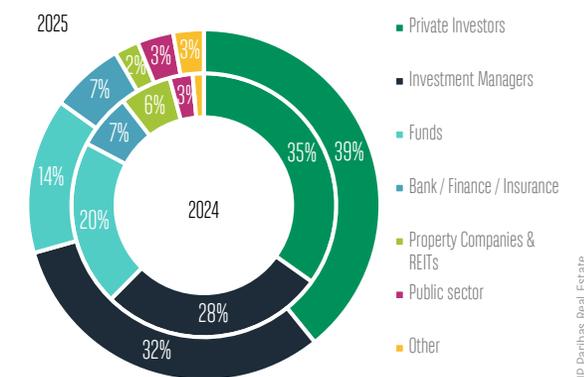
European residential investment volume



Breakdown by volume



Buyer typology





RESIDENTIAL PRICES

Residential prices across European cities expanded on aggregate by +5.0% in Q3 2025 vs Q3 2024.

5 cities experienced double-digit growth, including Valencia (+24%), Madrid (+18%), Seville (+17%), Barcelona (+13%) and Lisbon (+12%). This is mainly due to high residential demand from local and foreign buyers and limited housing supply. In Spain, second homes and luxury residences are the most sought-after. In Lisbon, the supply constraint in central areas is due to a slow pipeline and limited land for new construction, and a heritage preservation policy that restricts high-density development. In 2025, the luxury segment of the city had strong appeal for global buyers.

In contrast, house prices fell in London (-4% y/y). Uncertainty over new property taxes is a major factor behind falls in prices. House price declines were also observed in Rotterdam (-1% y/y), Lille (-2% y/y), Amsterdam (-3% y/y) and Marseille (-5% y/y).

The Euro area mortgage rate stood at 3.32% in Q4 2025, a decrease of 7 bps y/y. However, household housing purchasing power is expected to remain weak across cities due to higher prices.

Mortgage rates

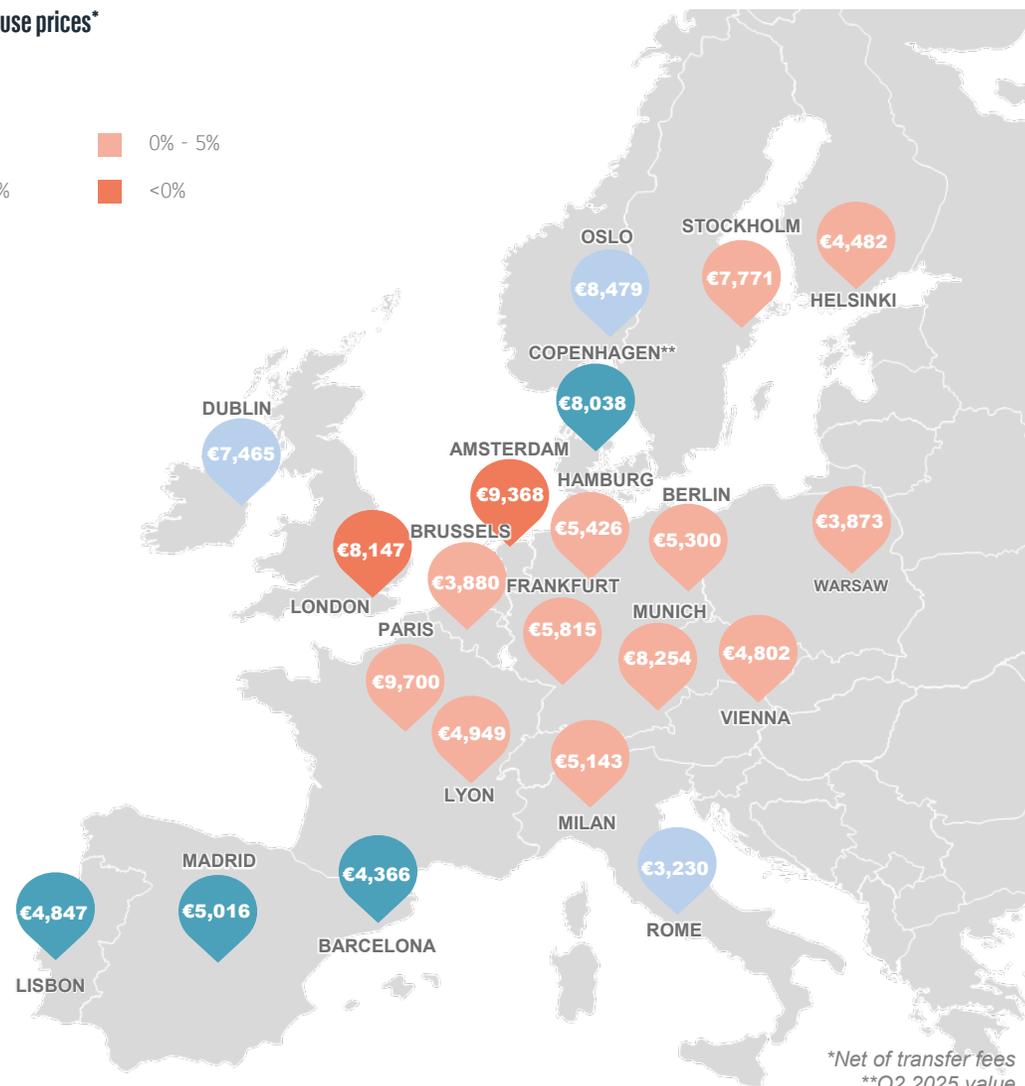
Q4 2025 rates (%) and q/q variations (bps) compared to Q3 2025

Countries	Rates		Countries	Rates		Countries	Rates	
Austria	3.38	→ 0% q/q	Germany	3.71	↘ -4bps q/q	Poland	6.65	↘ -67bps q/q
Belgium	3.45	↗ +9bps q/q	Ireland	3.52	↘ -6bps q/q	Portugal	2.84	↘ -2bps q/q
Denmark	4.55	↘ -21bps q/q	Italy	3.40	↗ +12bps q/q	Spain	2.62	↘ -5bps q/q
Finland	2.82	↗ +2bps q/q	Netherlands	3.51	↗ +3bps q/q	Sweden	3.23	↗ +13bps q/q
France	2.99	→ 0% q/q	Norway	5.18	↗ +16bps q/q	United Kingdom	6.00	→ 0% q/q

Residential house prices*

€/sqm - Q3 2025

- >10%
- 5% - 10%
- 0% - 5%
- <0%



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RESIDENTIAL MARKET EUROPE

KEY FIGURES

EUROPEAN RENTS HIT NEW RECORD HIGHS

IN 15 CITIES

+4.1% vs. Q3 2024
IN Q3 2025 - EUROPE

+11% vs. Q3 2024
MADRID RENTAL GROWTH IN Q3 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 rentals 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 in most European cities lower than 3 years ago: **reduced ability to buy persists**. Consequently, rental demand is increasing, **leading to rental growth at the European level of +4.1% y/y in Q3 2025**.

All European cities (except Helsinki) experienced rent growth during Q3 2025. Double-digit rental growth occurred in 3 of the 31 markets monitored: Madrid (+11% y/y), Rome and Seville (+10% y/y).

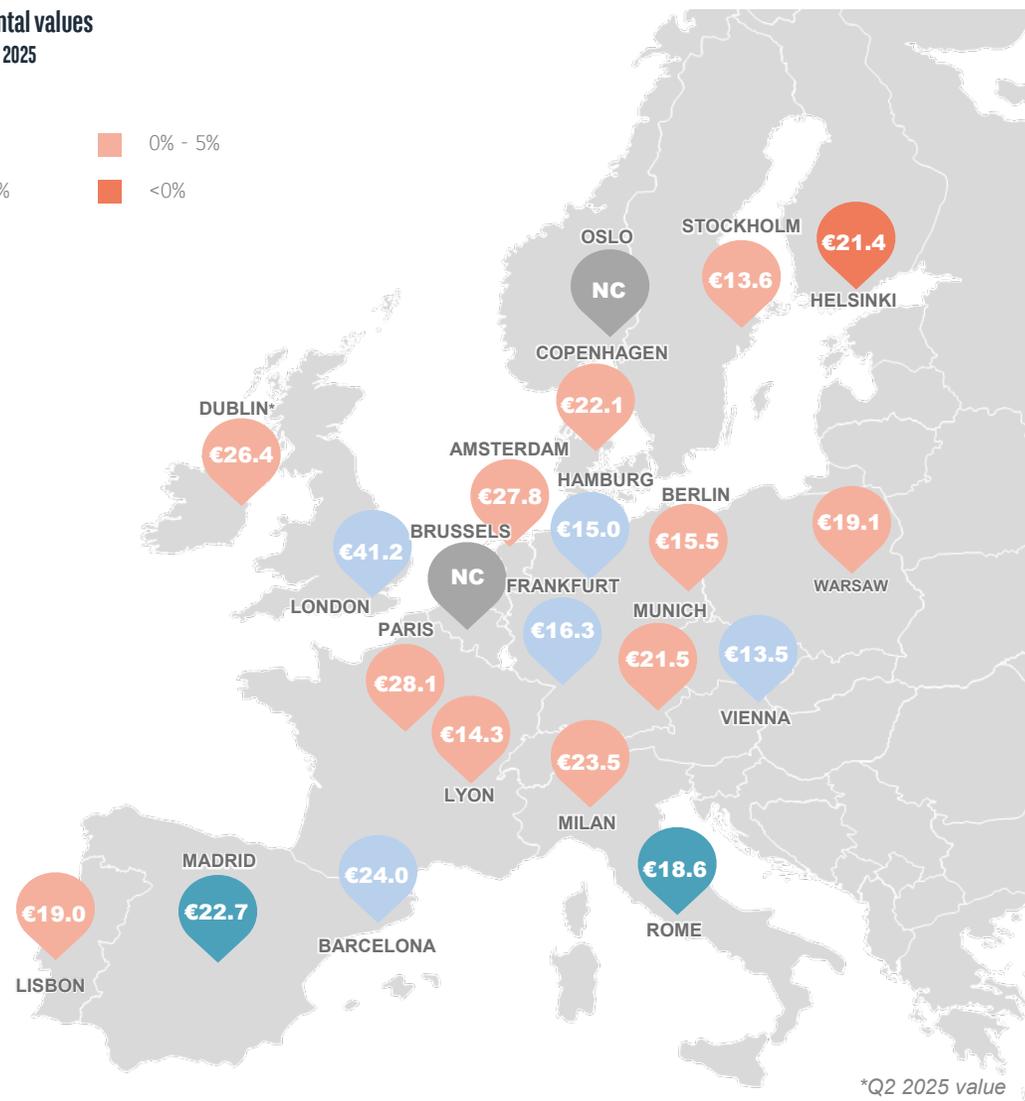
In Helsinki, rent growth declined due to abundant housing supply created by a residential construction surge over 2017-2023. There is still an excess of supply in the rental market, however improving occupancy rates will reduce this as Finland is experiencing strong population growth and housing development has significantly reduced.



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Residential rental values €/sqm/month - Q3 2025

- >10%
- 5% - 10%
- 0% - 5%
- <0%



*Q2 2025 value

Source: BNP Paribas Real Estate



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RESIDENTIAL MARKET EUROPE

KEY FIGURES

1.8M HOUSING PERMITS

-9% compared to last year

OVER 2025 - EUROPE

IN 18 EUROPEAN CITIES

RENTAL DEMAND IS EXPECTED TO INCREASE

Financing conditions

Monetary policy is effectively stable, as central banks have (mostly) ceased rate cuts. Though financing is easier, house prices and renovation costs continue to discourage purchases for investment or occupation.

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

Lack of supply persists

1.8 million housing permits were recorded in Europe over 2025, a 9% y/y decrease. This decline is partly explained by a loss of confidence from developers. Reduced purchasing power continues to create demand uncertainty. The complexity of obtaining building permits from the municipality is one of the biggest 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 Q3 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.

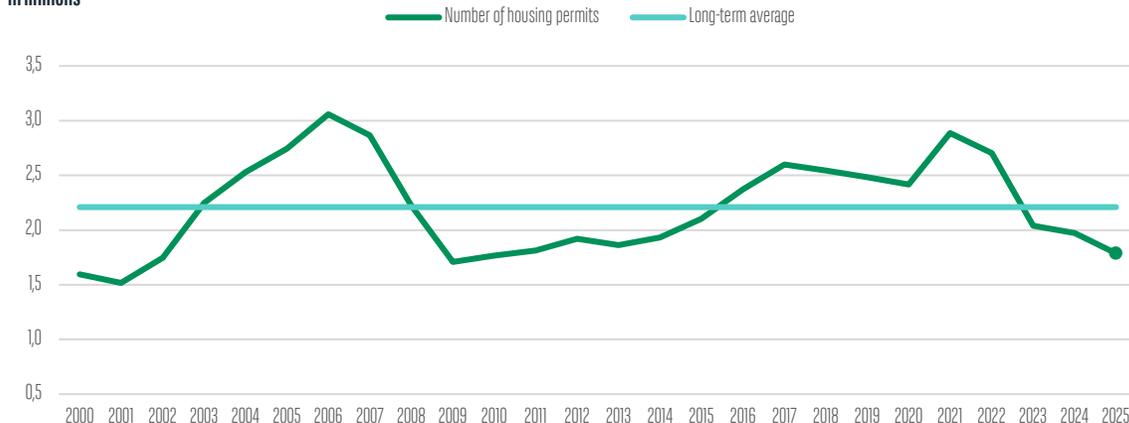
The EU's short-term rental regulation shall come into effect in May 2026. It requires owners to register their properties for let.



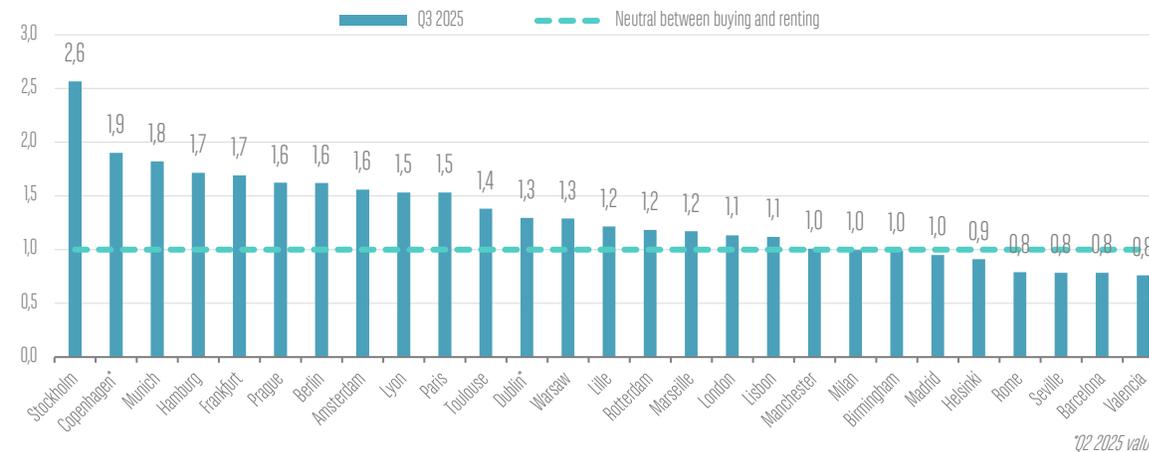
MARKET FUNDAMENTALS

Housing permits in Europe

in millions



Buy vs rent ratio



Q3 2025 value

Source: BNP Paribas Real Estate



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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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