

EXPLORE 360

# CRE 360

EUROPE - Q1 2026

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RESEARCH & INSIGHTS



**BNP PARIBAS  
REAL ESTATE**

Real Estate for a changing world

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# Executive Summary

## In a Nutshell



### ECONOMIC OUTLOOK

- The global economy continues to be characterised by instability and unpredictability. Growth is weakening across different regions driven by weak consumer spending, which is underpinned by an energy shock. We see the world economy growing less than had been anticipated at the beginning of the year.
- The Eurozone economy is now expected to grow by 1.0% in 2026, compared to 1.2% at the start of the year. In the U.K. it is now expected to grow by 0.7% compared to 1.1%.
- Headline inflation is on the rise, but core inflation remains subdued on the back of weakening economy. We see limited policy rate increase in 2026.



### CAPITAL MARKET ON AN ELONGATED RECOVERY

- The key variable remains the duration of the Iran conflict. In this context, slower activity in 2026 seems likely rather than derailing of recovery.
- Total investment for Q1 2026 amounted to €181bn showing a consistent 10% year-on-year increase.
- The different asset classes are showing contrasting resilience, at different stages of their recovery phase. Logistics and offices continue to record year-on-year growth, while retail and hotels show a stabilisation in their volumes after the rebound observed in recent quarters.



### OFFICE LETTING VOLUMES OFF TO A SLOW START IN 2026

- Office letting across the 18 main European markets totaled 1.67 million sqm in Q1 2026, representing a 16% year-on-year decline and remaining below the five-year average, primarily due to a slowdown in large-scale transactions.
- Prime office rents continue to rise across most European cities, driven by a persistent lack of new supply.
- The vacancy gap between CBD and non-CBD locations continues to widen, reflecting the ongoing shift away from non-CBD areas.



### A NEW WAVE OF UNCERTAINTY IN THE LOGISTICS MARKET

- The occupier market recorded contrasting trends across Europe. Take-up increased by 10% in the leading European markets. Demand strengthened in the UK, Spain, Italy, Poland and Germany whilst take-up dropped in France and the Netherlands. Rents rose by 2.7% in Q1 2026.
- The Middle East crisis and its share of uncertainties has cooled investors' confidence. Stable overall in Europe, prime logistics yield movement ahead will depend on the ECB's decisions on its policy rates and subsequent impact on 10-year government bonds.



### RETAIL: RENEWED CAUTION MAY LIE AHEAD

- The sector's recovery as an investment asset over 2025 may now be compromised if the stability in volumes seen in Q1 continues. Nevertheless, retail remains a core segment for investors with Germany and the UK still capturing almost half of transaction volumes. The strong growth in shopping centre investment over the year continues.
- The pickup in retailer business optimism observed in 2025 is also compromised due to the ongoing war in the Middle East and its repercussions on price levels. However, consumer confidence has not yet followed and even shows slight improvement compared to Q4 2025.



### RESIDENTIAL: STRONGEST Q1 ACTIVITY SINCE 2022

- Residential investment volume in Europe reached €12.0bn (+21.2% y/y) in Q1 2026, thanks to a greater number of large transactions driving upward residential activity.
- The European residential investment market remained essentially driven by domestic investors accounting for 61% of the total investment volume. Nevertheless, Q1 is marked by a growing participation of cross-border investors (+11 p.p y/y).
- House prices and rental values increased by 5.1% and 3.9% y/y, respectively in Q4 2025. Despite the ongoing regulations in Europe, rental values are still booming in most cities to reach new record levels.

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CWQT		99.0		+99.0%
BOTJ		-0.82		-0.82%
TRF		-32.0		-32.0%
UIO		+75.0		+75.0%
DZRD		-34.0		-34.0%
VWQ		+56.0		+56.0%
KNJ		+0.98		+0.98%
PLMN		-65.0		-65.0%
JJB		+83.0		+83.0%

# ECONOMIC OUTLOOK

# 01.



# Global Economy

Looking beyond the war

## LOWER GDP GROWTH THAN PREVIOUSLY ANTICIPATED, BUT STRUCTURAL SUPPORT

The global economy continues to be characterised by instability and unpredictability. The latest being an energy shock emanating from the conflict in the Middle East.

Our expectation is that the world economy will grow by 3.1% this year, instead of the 3.4% anticipated prior to the war. Several regional factors underpin the resilience.

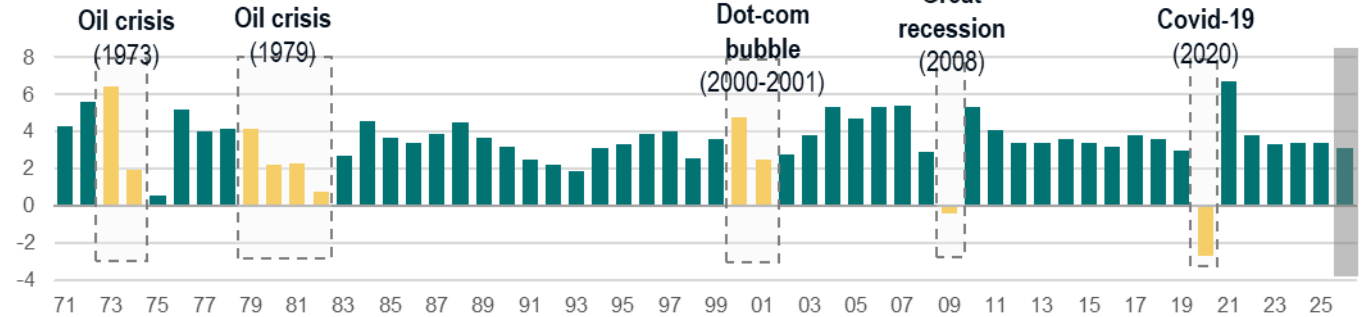
In the US, less affected by the energy shock, both consumer demand and business investment, particularly in AI related, remains robust. This is supportive of domestic demand and the economy.

For China and Japan, despite energy and export challenges, we expect fiscal support to broadly stabilise economic growth.

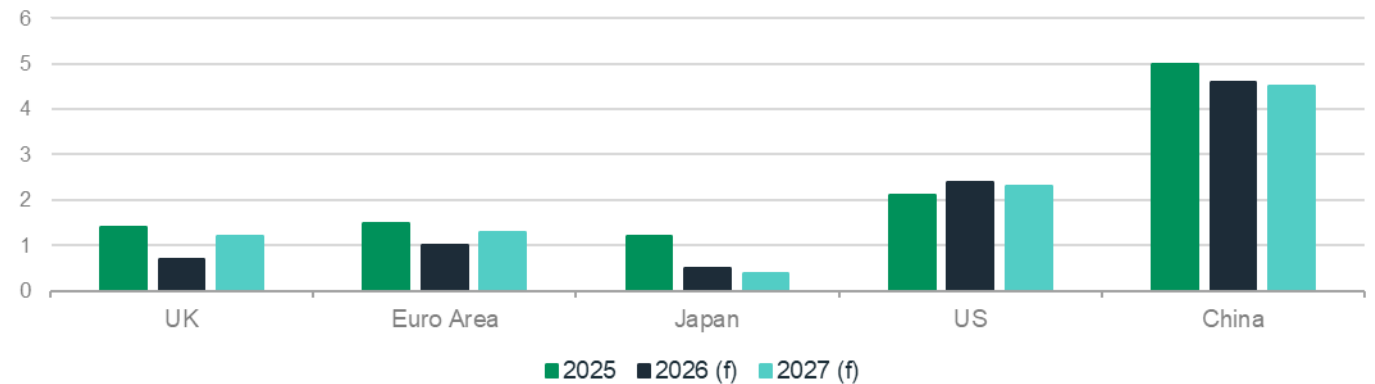
Growth in Europe will prove

resilient to the energy shock, in our view, delivering continued growth despite higher inflation. However, we no longer forecast significant GDP acceleration. Higher energy prices are likely to curb consumer spending and limit productivity. But anticipated increased defence spending will provide a needed support to stabilise growth.

World GDP Growth (%Y/Y)



GDP Growth (%Y/Y)

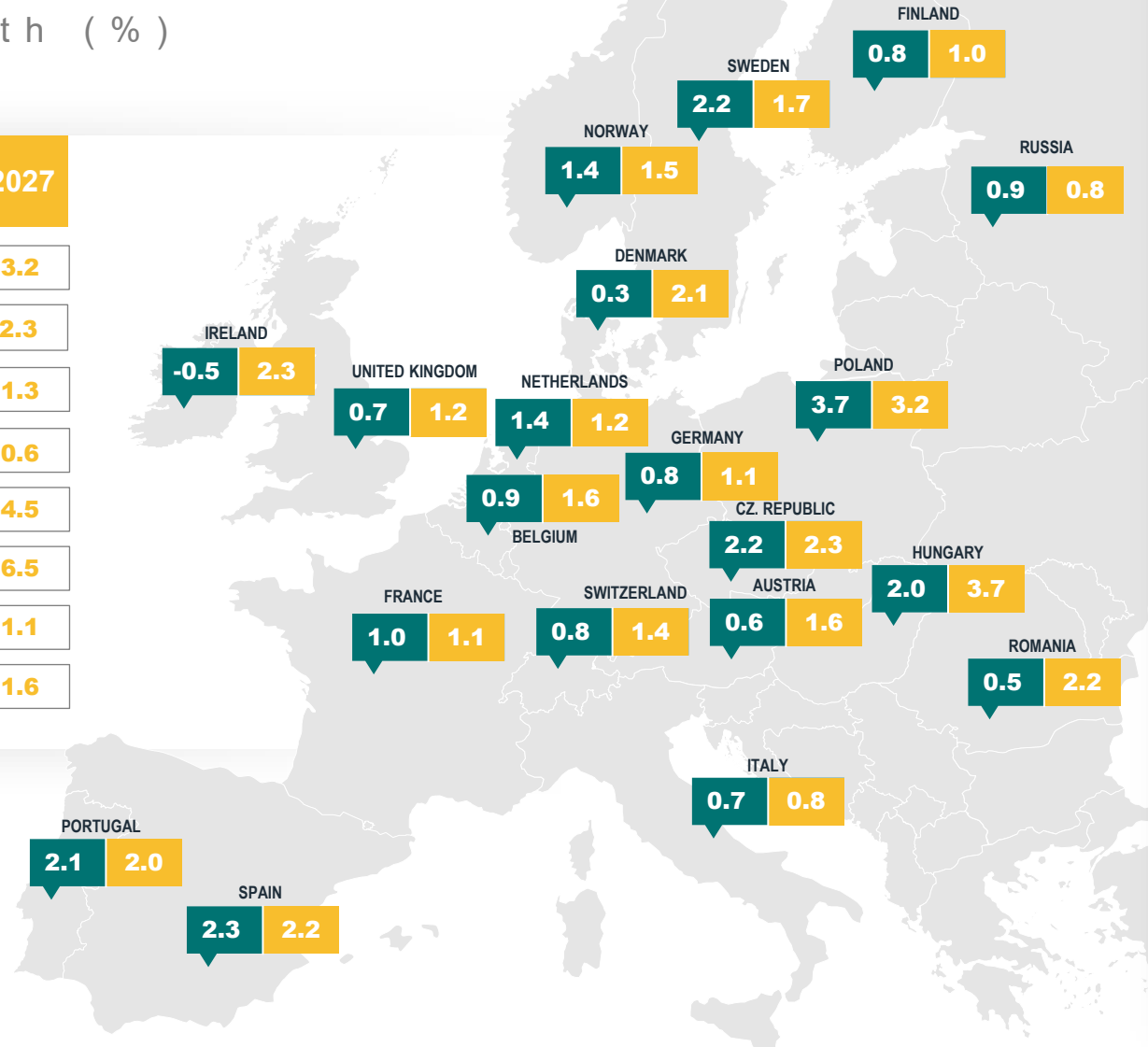


Sources: BNP Paribas Real Estate Research, World Bank, Macrobond

# Economic Growth in Europe

Annual GDP Growth (%)

	2025	2026	2027
World	3.4	3.1	3.2
United States	2.1	2.4	2.3
Euro area	1.5	1.0	1.3
Japan	1.2	0.5	0.6
China	5.0	4.6	4.5
India	6.5	6.9	6.5
Russia	0.9	0.5	1.1
Brasil	2.3	2.0	1.6



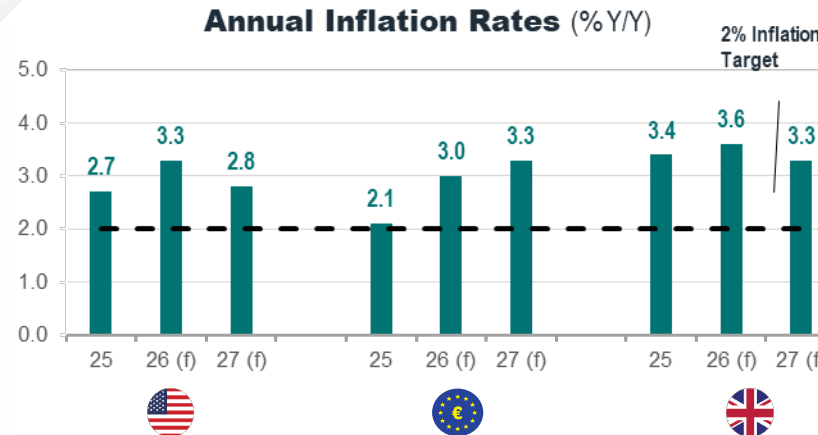
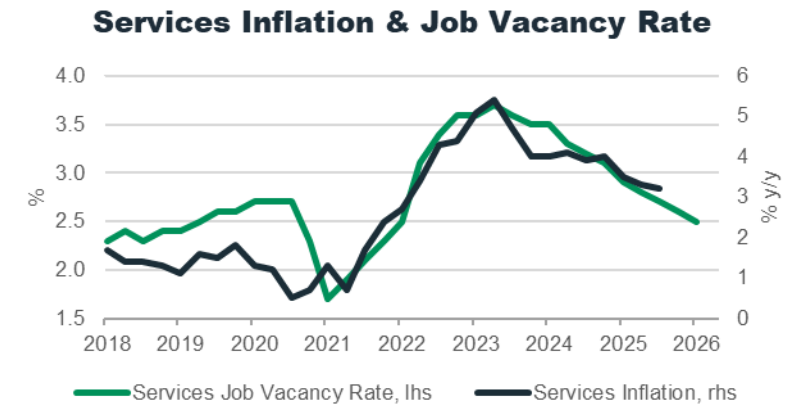
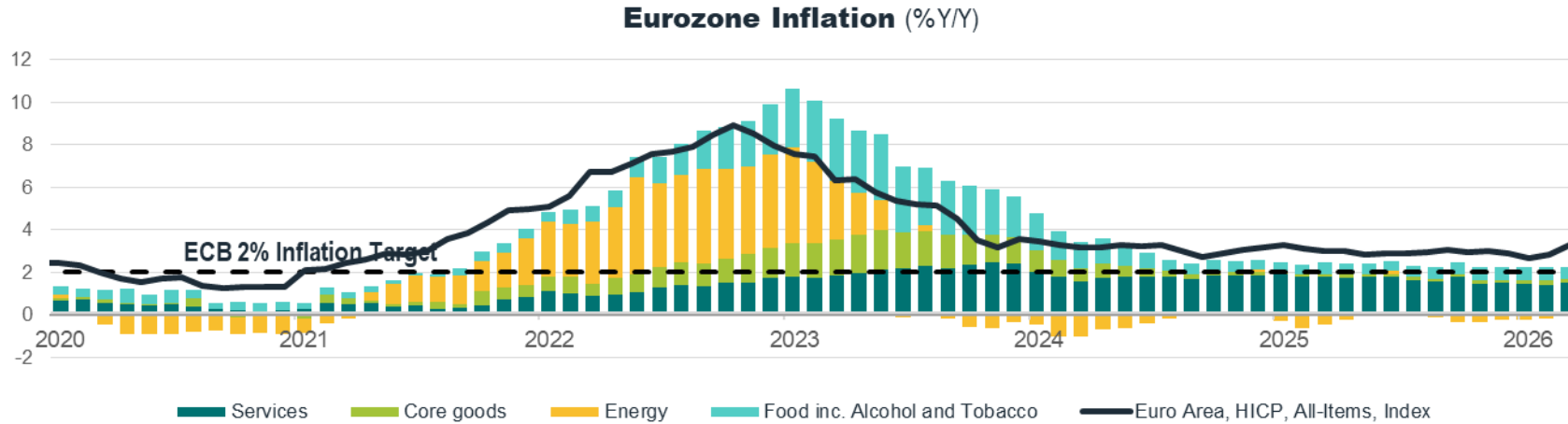
## The European economy will remain resilient, despite an energy shock

- The Eurozone economy performed well in 2025 (1.5%), despite the uncertainty in Q1 caused by threat of tariffs. Growth in this case was driven by tourism and consumption, mostly in southern European countries.
- In 2026 there is a new source of threat to growth in the form of the Middle East conflict. This is undermining the prospects for recovery in household consumption in the first half of the year, as rising energy prices weigh on real wages.
- However, saving rate remains high enabling households to cushion the effects of the shock over time. Furthermore, the structural factors supporting economic activity remain intact: investment in AI and digital infrastructure is ongoing, while the recovery in productivity is becoming clearer, albeit unevenly across different countries.
- Investment spending in Germany is already strengthening and spending in the European defence sector is set to rise significantly. Nonetheless, the growth trajectory this year will be bumpy: Q1 is expected to be resilient before a slowdown in Q2, followed by a rebound in activity in the second half of the year.
- For 2026 we have downgraded our growth forecast for most European countries. Overall in the Eurozone growth will be (1.0%), with particular strength in Southern Europe such as Spain (+2.3%) and Portugal (+2.1%). Good growth in France (+1.0%), Germany (0.8%) and the U.K. (+0.7%).

Sources: BNP Paribas Real Estate Research, Oxford Economics, IMF

# Inflation rates

A temporary phenomenon



## A significant rise, but likely less severe than in 2022

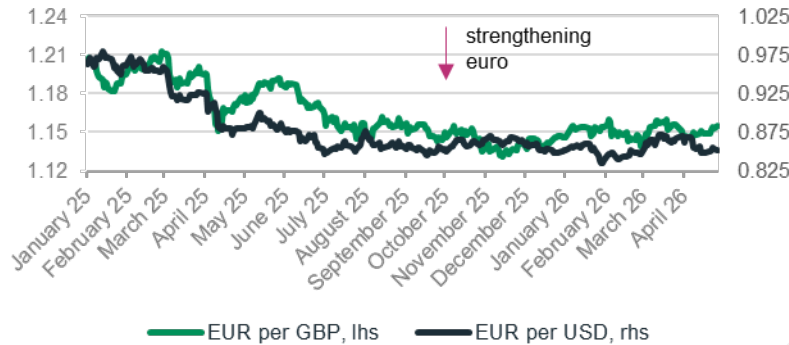
- The conflict in the Middle East has reignited inflation impulse across the European economies. In the Eurozone (2.5%) it rose in March (2.5% y/y) from the February (1.9%, y/y) figure. A similar trend was seen in the UK in March (3.6%, y/y) compared to February (3.3%, y/y).
- Interestingly in both cases the core rate of inflation, which excludes energy cost, fell indicating the main drive of inflation is international energy prices. As such, we believe the precise magnitude and period of increase in the price level will be dependent on how long the conflict in the Middle East lasts and on the second-round effects of the energy shock.
- Services inflation remains on the downward trend. As wage growth eases, on the back of a weak labour market, services inflation should slow further. Thus, the rise in core inflation is expected to begin only in Q3 and remain contained.
- This is why we think, although it will be elevated, the rise in inflation is likely to be a short-term trend that could last until the end of the year.
- We see the headline inflation peaking in the UK in 2026, before easing in 2027. In the Eurozone, it could continue to rise in 2027 but end up at the same level as in the UK.

Sources: BNP Paribas Economic Research, Eurostat, ECB, BoE, BNP Paribas, Macrobond

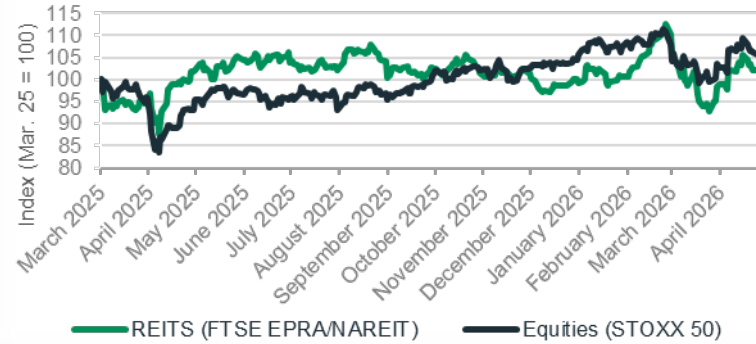
# Financial Markets

## Economic and Financial Indicators

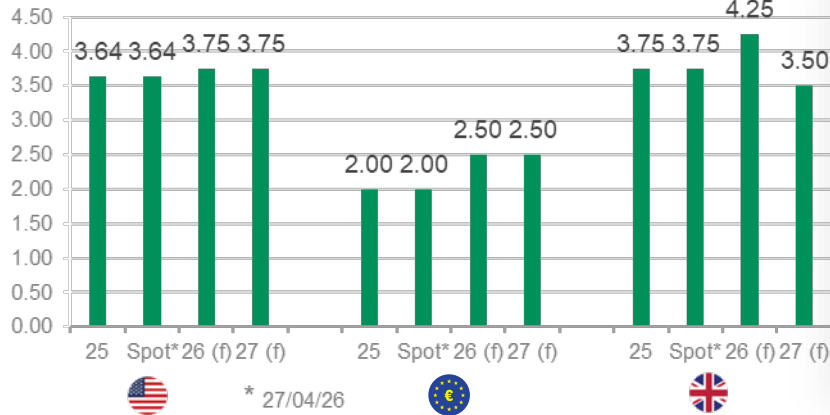
### Euro Exchange Rates



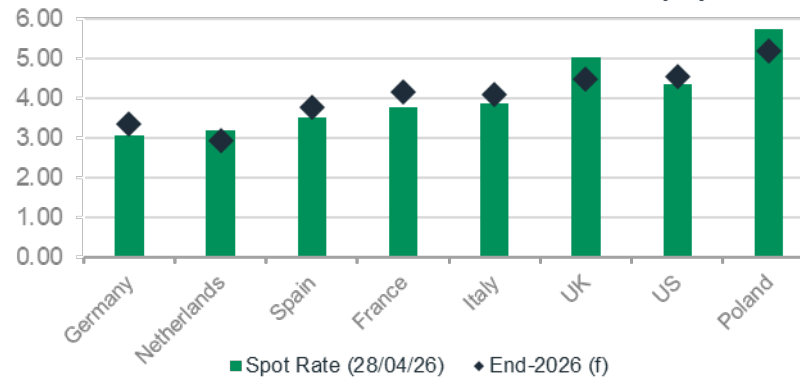
### Euro Area REITs & Equities



### End-Year Policy Rates (%)



### 10-Year Government Bond Yields (%)



### Rate hikes could occur from 2026 by both the ECB and BoE

- The performance of the euro against the major currencies has been mixed in recent months. Whilst it has strengthened relative to the dollar due to the geopolitical tension affecting the US, it has weakened against the pound of the back of potential higher increases in UK policy rate.
- Euro area REIT prices and the broader equity markets took a nosedive since the conflict in the middle east. Until there is clarity of a resolution to the crises, equity markets will remain volatile with a bias downwards.
- In terms of policy rates, the rise in inflation raises the risk of the ECB tightening monetary policy from the second quarter of this year, whereas before the outbreak of the conflict in the Middle East, we had expected this to occur in the second half of 2027. For the UK policy direction is subject to much greater uncertainty. Rates in the UK are already restrictive and the economy remains weak, but higher inflation risks potential stagflation scenario. As such we believe the policy decision will be increasing data dependent.
- We generally expect the 10-year government bond yields to go higher and stay at that level over the next 12months, driven by increased fiscal stimulus in most European countries and higher inflation expectations.

Sources: BNP Paribas Economic Research, CBOE, Federal Reserve, ECB, BoE, FTSE EPRA/NAREIT, STOXX, Consensus Economics, Macrobond

**REAL ESTATE  
PERSPECTIVES**

02.

# CAPITAL MARKET

# Capital Market in Europe

Capital market unpacked



## INVESTMENT VOLUME

€181.3bn

Q1 2026  
Rolling year

Contrasted dynamics seen  
across markets



## BEST-PERFORMING SECTOR

+10%y/y

Office

Office assets are increasingly  
back in favour with investors



## PRIME YIELDS

4.60%<sup>↘</sup> vs Q1 25    4.20%<sup>↘</sup> vs Q1 25    5.00%<sup>↗</sup> vs Q1 25

Office

Retail

Logistics

Q1 2026

Q1 2026

Q1 2026

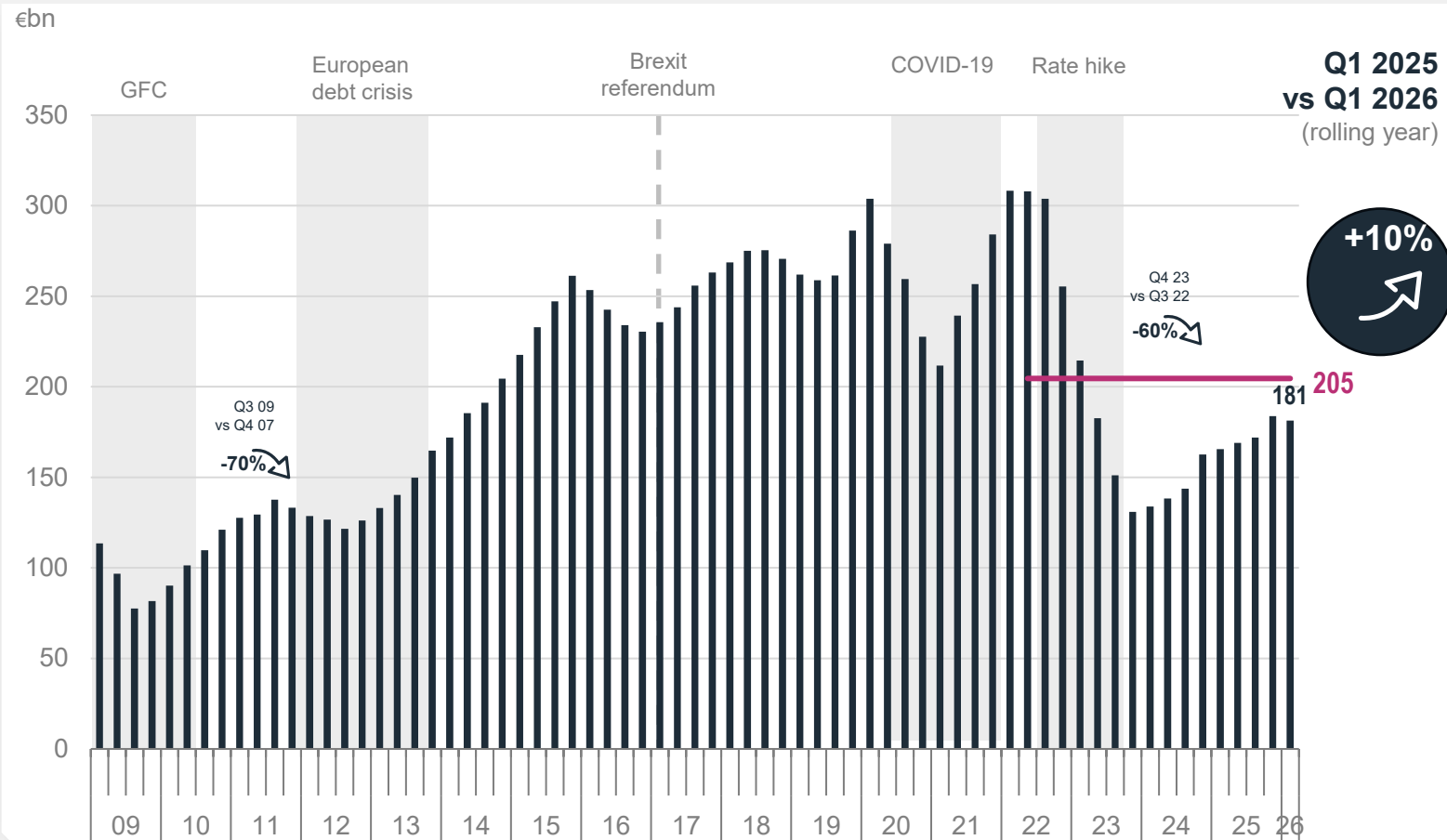
Most yields are steady

This excludes residential investment.

Source: BNP Paribas Real Estate Research

# Investment In European Commercial Real Estate

Europe's elongated recovery



- Total investment in European commercial real estate over the last twelve months to the end of March 2026 amounted to just over €181 billion, an increase of 10% year-on-year.
- After a sustained recovery over the past two years, the investment market slowed in the first quarter of 2026, reflecting uncertainties related to geopolitical tensions.
- The positioning of monetary policy, which has been favourable so far, now suggests that key rates will rise over the course of the year, in response to an increased inflationary risk.
- The key variable remains the duration of the Iran conflict. In this context, slower activity in 2026 seems likely rather than derailing of recovery.
- In an environment marked by financial market volatility, stable real estate income reinforces the role of real estate in long-term allocations.
- Increased selectivity among investors is therefore expected, with a more wait-and-see stance and increased attention paid to price adjustments.

This excludes residential investment.

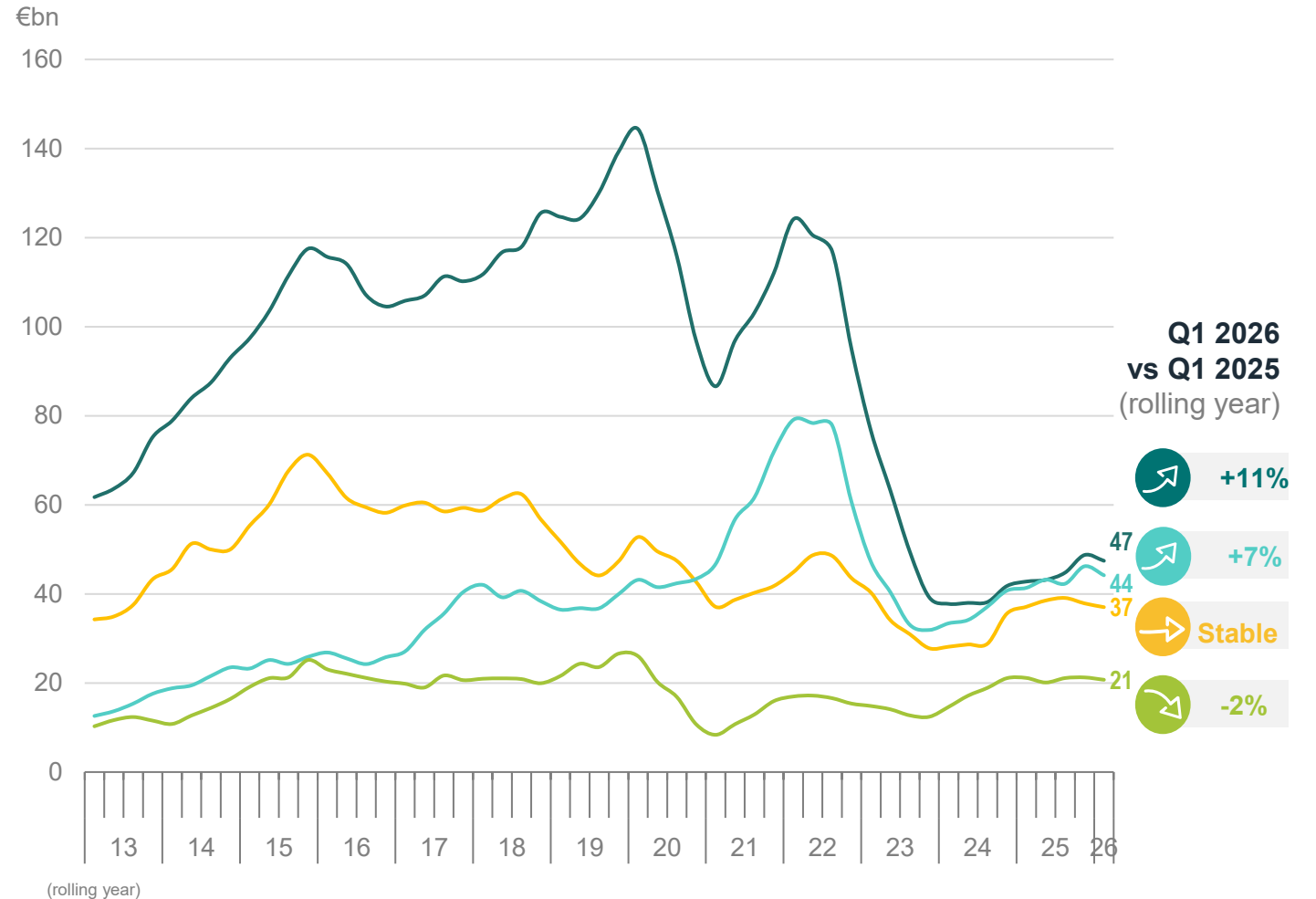
Source: BNP Paribas Real Estate Research

# Investment in European Commercial Real Estate

Slowing activity pending price clarity

- In an uncertain market environment, the different asset classes are showing contrasting resilience, at different stages of their recovery phase. Logistics and offices continue to record year-on-year growth, while retail and hotels show a stabilisation in their volumes after the rebound observed in recent quarters.
- Over the last 12 months, office investment volumes increased by 11% compared to Q1 2025, driven by France (+21%) and Spain (+199%), as well as by Switzerland (+104%) and the Netherlands (+54%). In the United Kingdom, the increase also reached +8%, with London maintaining its status as a leading market with nearly 75% of national volumes this quarter.
- The logistics segment shows annual growth of 7%, supported by targeted opportunities, particularly in Sweden, Belgium and Portugal, where volumes doubled compared to Q1 2025.
- Retail is stabilising, after outperforming in 2025 thanks to investors' return to supermarkets and shopping centres.
- The hotel industry maintains solid momentum, with around €20 billion invested over the last twelve months, a level 17% higher than the 5-year average. Its market share has now reached 11%, almost double that of 2022, supported by strong activity in Spain (+40%) and France (+34%). Occupancy rates remain favourable and supports the outlook for the sector.
- Alternative assets continued to grow, with an increase of 37% year-on-year, mainly driven by the United Kingdom (€11.7 billion), Sweden (€4.8 billion), Spain (€2.3 billion) and Italy (€1.7 billion).

■ Office      ■ Industrial & logistics  
■ Retail      ■ Hotel



Alternative assets\* vary across Europe reflecting country-specific categorizations

This excludes residential investment.

Source: BNP Paribas Real Estate Research

# European Property Investment

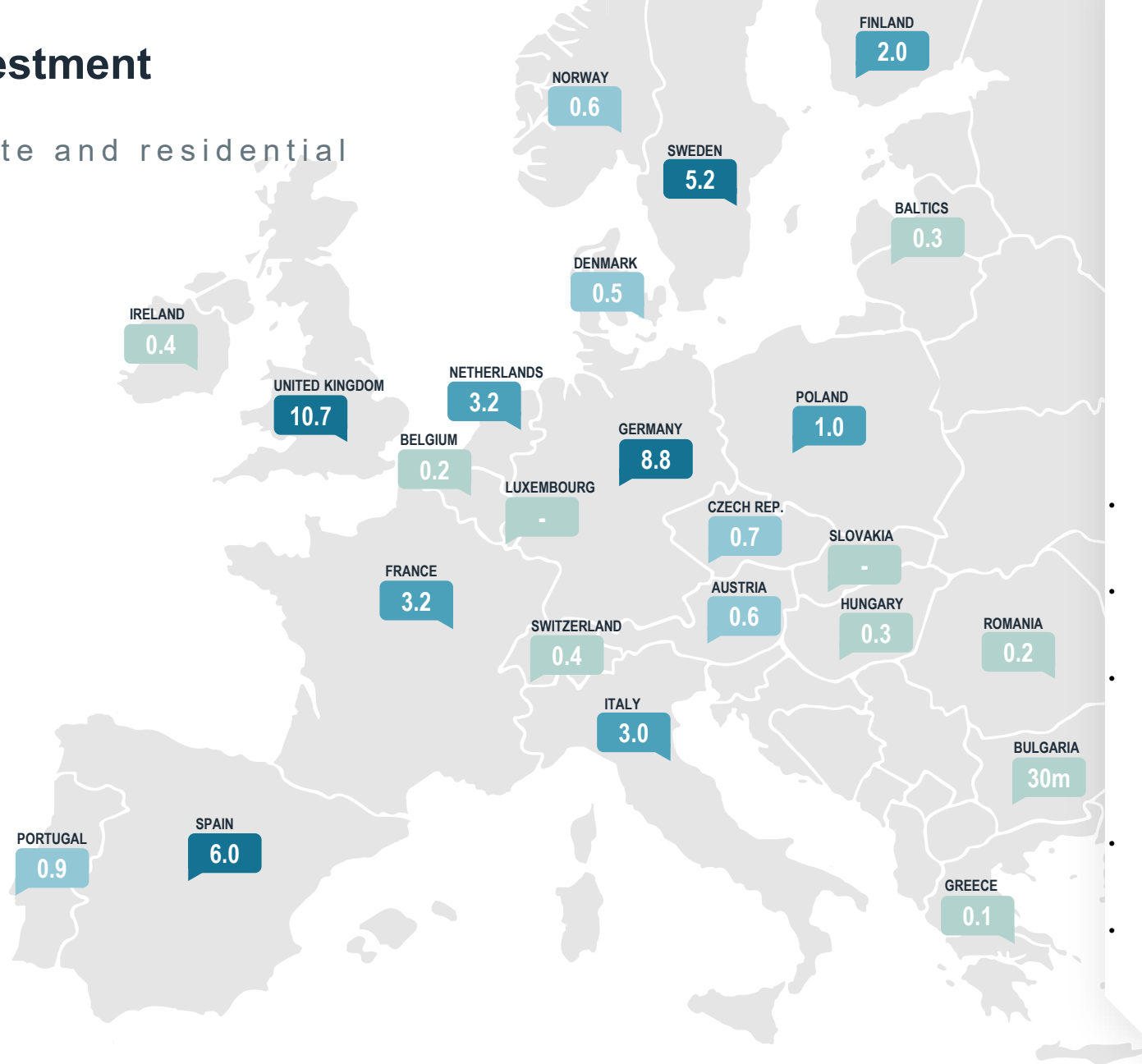
Commercial real estate and residential

## Q1 2026 vs Q1 2025

	UNITED KINGDOM	-16%	
	GERMANY	+5%	
	FRANCE	-35%	
	SWEDEN	+62%	
	NETHERLANDS	+58%	
	SPAIN	+98%	
	ITALY	+14%	
	NORWAY	-50%	
	POLAND	+44%	
	BELGIUM	-70%	
	DENMARK	-78%	
	FINLAND	+95%	
	IRELAND	-19%	
	AUSTRIA	+132%	
	LUXEMBOURG	-100%	

Investment volume

	≥ €5bn		€1 - 5bn
	€500- 1bn		< €500m



EUROPE – Q1 2026

€48.3bn

Stable vs Q1 2025

- Including the residential sector, European property investment volume was €48.3, a similar level to Q1 2025.
- Residential's investment volume of almost €12bn gives the sector a 24% market share of total property investment.
- Despite ongoing landscape, the residential market showed positive momentum this quarter as it continues to benefit from investor "bed and sheds" strategies, to reduce cyclical risk associated with sectors such as offices and retail.
- Moreover, the strong supply shortage in the occupier market enhanced the sector's appeal for investors, as rents keep growing.
- Most countries recorded a strong growth this year especially in Spain (+98%) or Sweden (+62%).

Source: BNP Paribas Real Estate Research

# Commercial Real Estate Investment

Sluggish market conditions

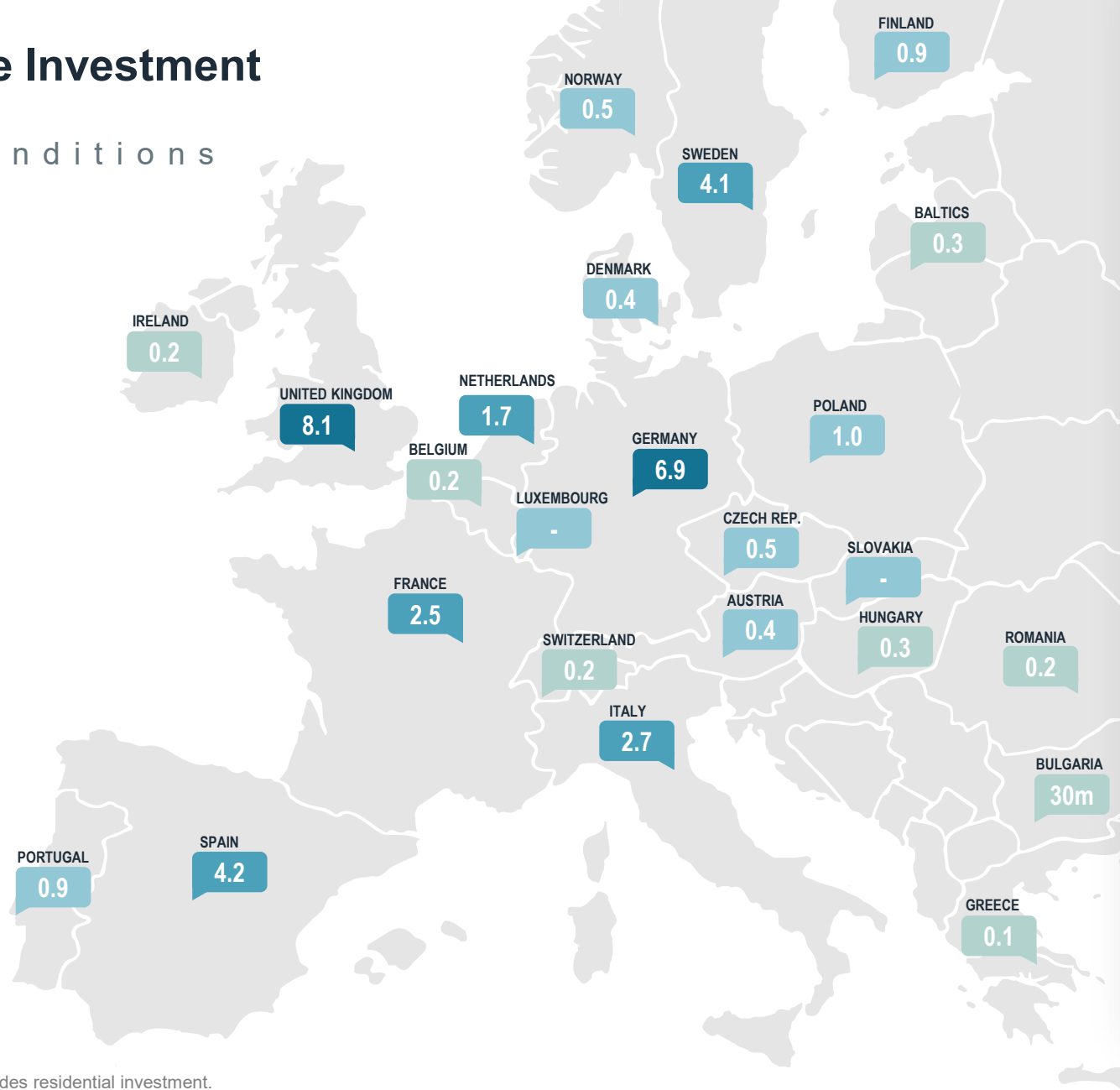
## Q1 2026 vs Q1 2025

	UNITED KINGDOM	-19%
	GERMANY	+16%
	FRANCE	-37%
	SWEDEN	+59%
	NETHERLANDS	+80%
	SPAIN	+8%
	ITALY	+49%
	NORWAY	+69%
	POLAND	-72%
	BELGIUM	-67%
	DENMARK	-4%
	FINLAND	-65%
	IRELAND	+106%
	AUSTRIA	-100%
	LUXEMBOURG	-100%

Investment volume

	≥ €5bn		€1 - 5bn
	€400 - 1bn		< €400m

This excludes residential investment.



## EUROPE – Q1 2026

€36.4bn

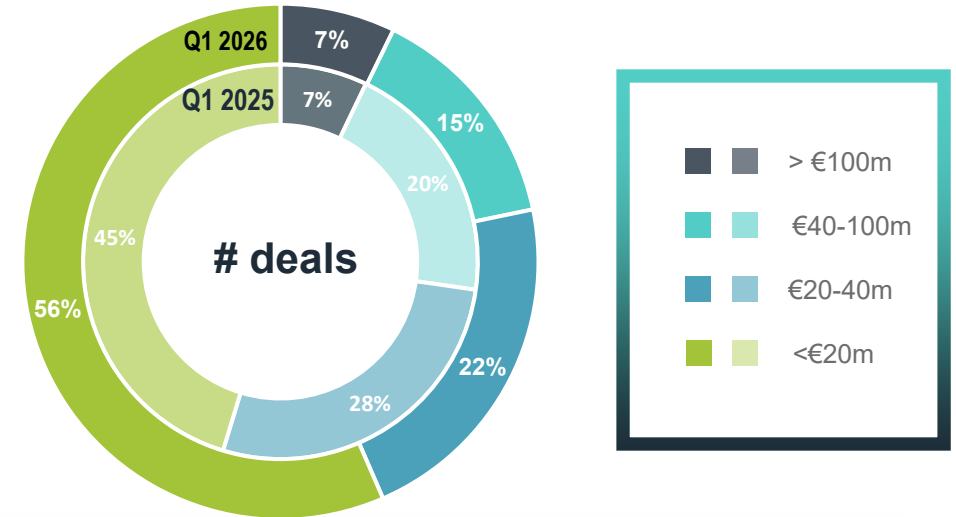
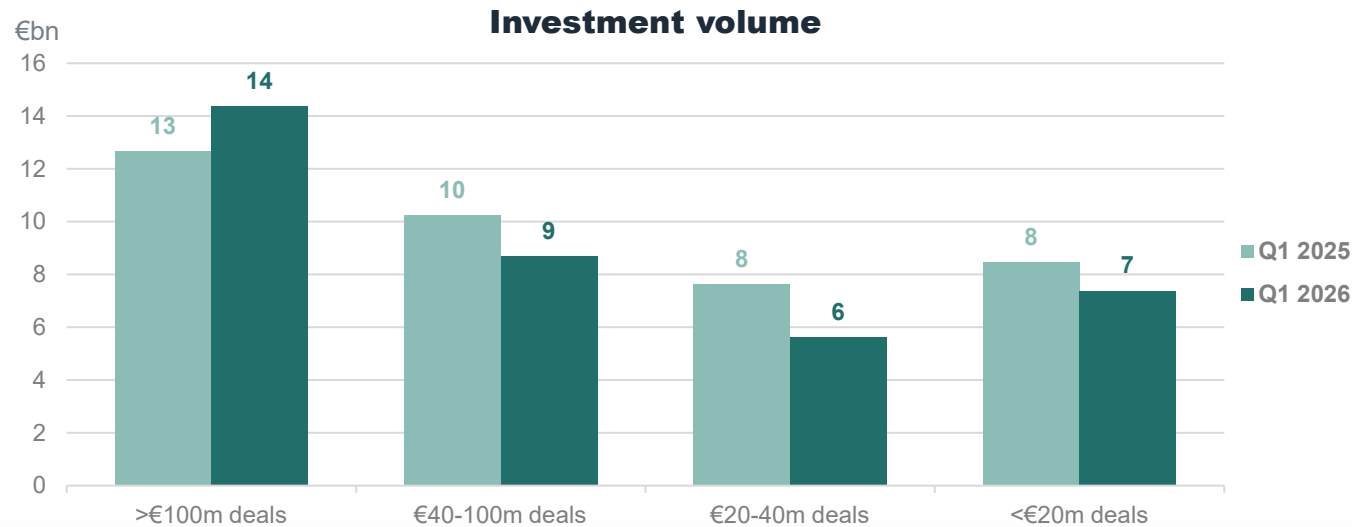
-7% vs Q1 2025

- While the volume of investment remains up over the last 12 months, quarterly activity in Q1 2026 is down 7% compared to Q1 2025. In response to the renewed uncertainty, France and the United Kingdom recorded strong declines, as well as several other countries.
- So far, this pullback remains moderate as several countries kept pursuing market expansion (Germany, Spain, Sweden, the Netherlands).
- Germany stood out with a +16% increase in volumes, driven by all asset classes, except of logistics, which has slowed slightly.
- Spain has continued to stand out for several quarters, with a volume exceeding €4 billion, supported by a strong acceleration in office investments, whose volumes increased fivefold compared to Q1 2025.

Source: BNP Paribas Real Estate Research

# Investment in European Commercial Real Estate

Large deals supported the market in Q1



- In 2025, easier financing conditions supported market activity, with total volume growth concentrated in high-value deals.
- A new configuration is starting to emerge in response to the new threat of the inflationary pressure, tightening liquidity.
- As of now, the number of transactions remains relatively stable on a yearly basis (-7% vs Q1 2025). This is supported by a steady number of large transactions (-5% decline for >€100m) and a sustained uptick of +16% y.o.y for smaller scale transactions (<€20m).
- Middle scale deals from €40-100m, however, lost -11% market share in the number of transactions.
- High value deals performed well in Q1, with a 13% rise in volume compared to Q1 2025. The largest being some logistics and alternative assets in Sweden, as well as few shopping centres around €300m located in different countries.
- The continued occurrence of large transactions coupled with a stronger demand in smaller ones, highlight selectiveness and the remaining of a high appetite for real estate.

Main markets\* : UK, France, Germany, Spain, Italy, Poland, Netherlands, Spain, Belgium, Austria, Ireland, Luxembourg

This excludes residential investment.

Source: BNP Paribas Real Estate Research

# Cross-border Investment in Europe – Q1 2026

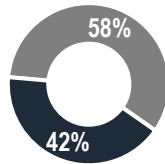
European investors are the most active

- Domestic (-4%) and cross-border investment within Europe (+13%) showed the best relative performance, in comparison to the same period last year, with overall foreign market showing a -10% drop, slightly faster than the whole market (-7% y.o.y).
- European cross-border volume reached more than €7bn forming almost half the cross-border investment. Three countries accounted for around €5bn (the United Kingdom, Germany, Italy), expanding by 74%.
- With almost a third of the foreign market share, American buyers took a cautious approach despite an existing appetite. Their activity was mostly driven by opportunities, notably in Sweden, Spain and Poland.
- Buyers from the APAC region expressed a growing interest in Europe in 2025, which has decelerated this early year. Their allocation was down 54% to reach €1billion, representing a market share of around 7%.
- Middle East investment showed the strongest decline reflecting the current tension in the region.
- The divergence in market dynamics this early year is the reflection of risk-assessment adjustment. Capital flows are directed more towards domestic markets. Investors from outside Europe are more cautious, favouring selective opportunities based on ability to deploy at scale and in the most liquid markets.

**€21.1bn**

-4%  
Vs Q1 2025

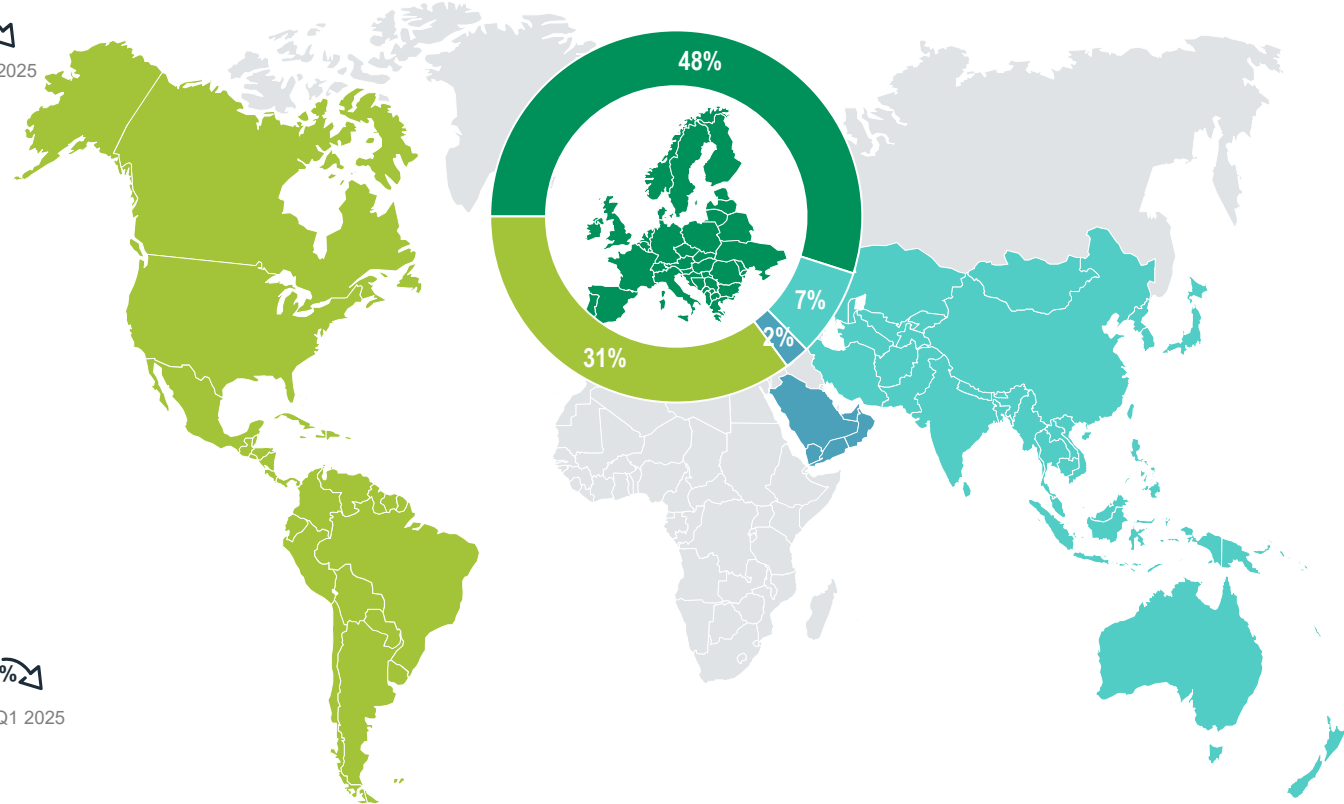
**DOMESTIC INVESTMENT**



**CROSS-BORDER INVESTMENT**

**€15.1bn**

-10%  
vs Q1 2025



**EUROPE**  
**€7.3BN** +13%  
vs Q1 2025

**AMERICAS**  
**€4.6BN** -13%  
vs Q1 2025

**ASIA PACIFIC**  
**€1.0BN** -54%  
vs Q1 2025

**MIDDLE EAST**  
**€0.3BN** -78%  
vs Q1 2025

This excludes residential investment.

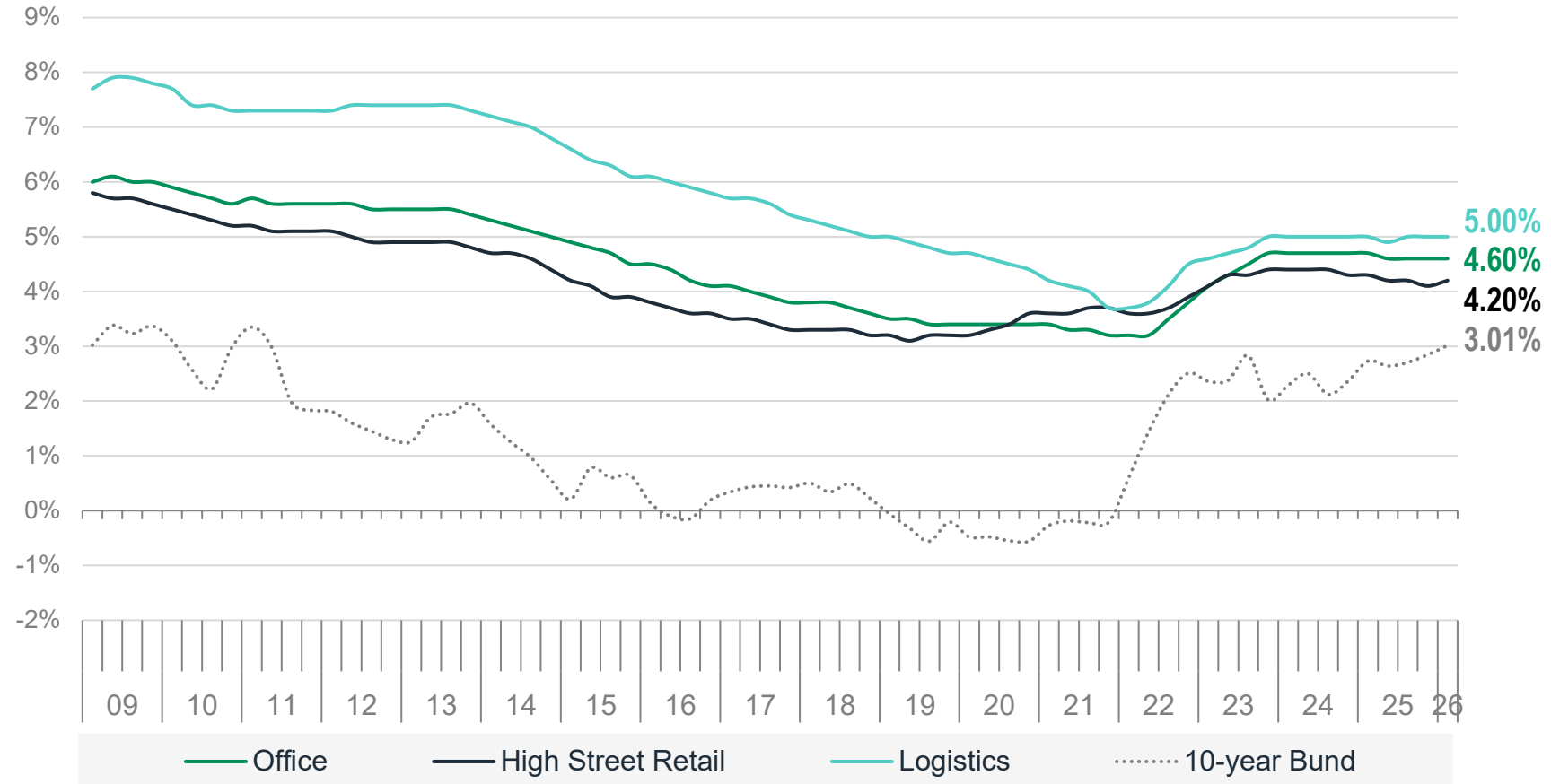
Source: BNP Paribas Real Estate Research

# Average Prime Yields in Europe

Changed inflation outlook alters yields prospects

- Prior to the outbreak of the Iran conflict, the ECB had ceased interest rates increases while the Bank of England was still on the path of reduction. Both central banks now face the prospect of increasing interest rates again with the changed inflationary outlook that the Iran war presents. At present, both are monitoring the situation having left interest rates on pause at their last meetings.
- The changed inflation situation has triggered renewed volatility in government bond yields, reducing visibility on the pathway for monetary policy and hence property yields. The situation tilts yields back towards decompression, although real estate has the advantage of having already undergone extensive repricing. Any potential changes could be cushioned by rising rents and increased investor selectivity aimed at core assets.
- As of now, real estate yields are stable overall compared to the end of 2025, although there has been some decompression in France and Germany in the main asset classes.
- London and Milan (4.00%) are the lowest yielding markets in Europe for offices where interest has increased in high-end units and prime locations. Retail is led by London (2.75%) and German cities with yields below 4.00%. The lowest logistics market is also in Germany, with 4.25% in Cologne, followed by Rotterdam (4.70%).

**Based on 16 cities:** Amsterdam, Berlin, Brussels, London, Paris, Dublin, Frankfurt, Hamburg, Lisbon, Luxembourg, Madrid, Milan, Munich, Prague, Vienna and Warsaw.

















Source: BNP Paribas Real Estate Research

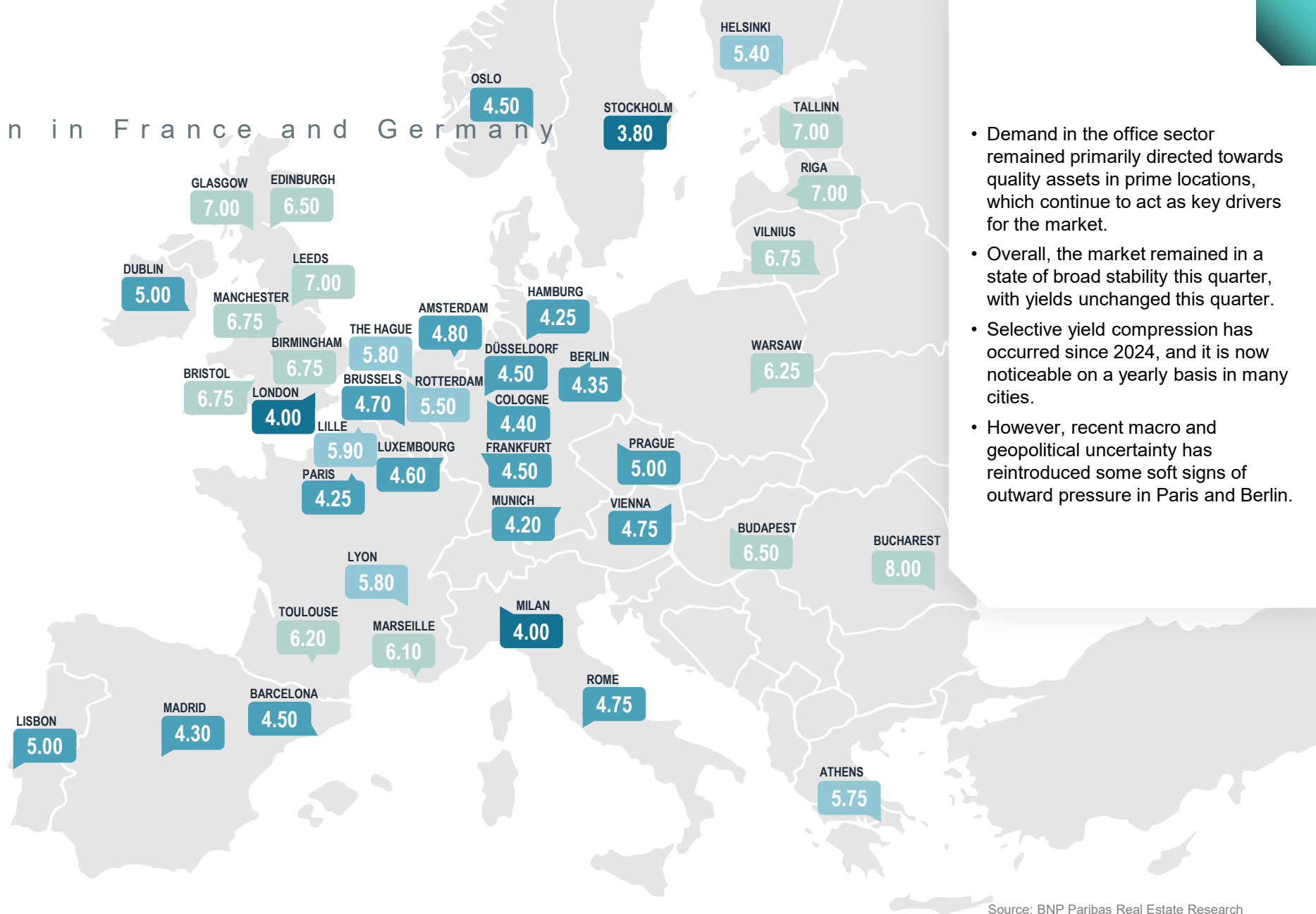
# Prime Office Yields

Decompression seen in France and Germany

## Q1 2026 vs Q1 2025

	PARIS	+35bps ↗
	LONDON	→
	BERLIN	+10bps ↗
	STOCKHOLM	-20bps ↘
	MUNICH	→
	MILAN	-25bps ↘
	OSLO	→
	MADRID	-10bps ↘
	BRUSSELS	→
	DUBLIN	-25bps ↘
	AMSTERDAM	-20bps ↘
	BARCELONA	-10bps ↘
	LUXEMBOURG	→
	WARSAW	→

Prime yield



- Demand in the office sector remained primarily directed towards quality assets in prime locations, which continue to act as key drivers for the market.
- Overall, the market remained in a state of broad stability this quarter, with yields unchanged this quarter.
- Selective yield compression has occurred since 2024, and it is now noticeable on a yearly basis in many cities.
- However, recent macro and geopolitical uncertainty has reintroduced some soft signs of outward pressure in Paris and Berlin.

Source: BNP Paribas Real Estate Research

# OFFICE MARKET

# Office Markets in Europe

## Flight to Quality by Tenants

### TAKE-UP



**-16%**

vs. Q1 2025

Demand for office space in Europe softened in Q1 2026, reflecting a slowdown in large-scale deals.

### PRIME RENTS



Main markets

**+4.2%**

vs. Q1 2025

Scarcity of quality units in central locations continues to grow rents

### NET AVERAGE RENTS



Main markets

**+2.4%**

vs. Q1 2025

Incentives are intensifying in markets with weak take-up

### VACANCY RATE



**9.5%**    **+30 bps**

Q1 2026

vs. Q1 2025

Despite increasingly high rents, modern space remains highly sought after at the expense of secondary space. Vacancy rate increases are almost entirely driven by the second-hand market and peripheral areas

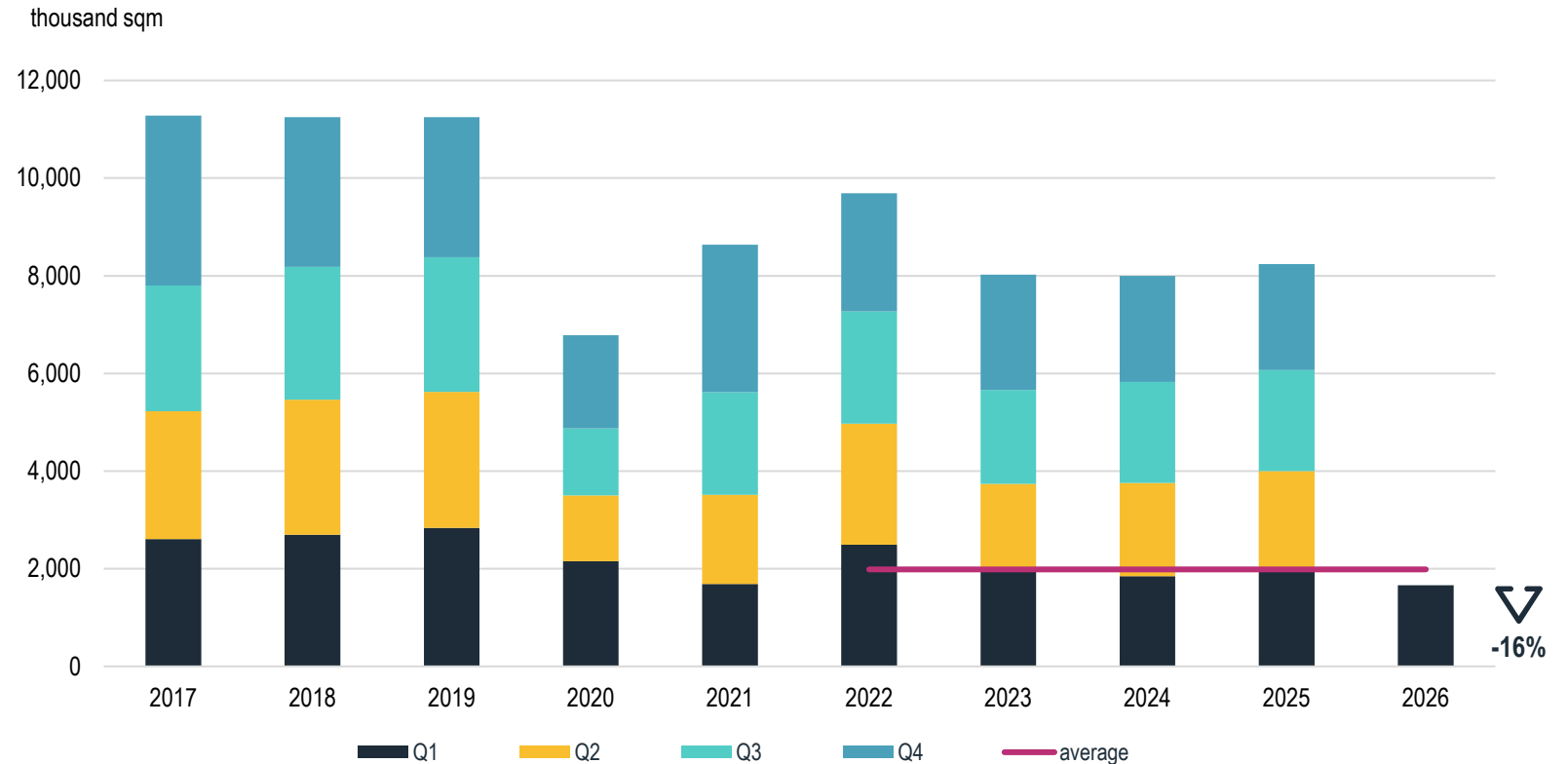
Source: BNP Paribas Real Estate Research

# Office Take-Up in Europe

Letting volumes slowed in Q1 2026

- European office take-up reached 1.67 million sqm in Q1 2026, representing a 16% year-on-year decline and remaining below the five-year average, primarily due to a slowdown in large-scale transactions.
- Market conditions remain cautious amid economic and financial uncertainty, with occupiers shifting preference toward smaller, high-quality office spaces.
- Take-up declined in both Central Paris and Central London (-23% and -15%, respectively). A similar downward trend was observed across the German “Big 6” markets, with an overall decline of 12%, although performance varied by market.
- Other European markets displayed mixed trends: Milan and Madrid declined sharply (-36% and -25%), while Barcelona (+34%), Dublin (+21%), Rome (+11%) and Brussels (+11%) posted growth, highlighting uneven recovery across regions.

Office Take-up in the 18 main European Office Markets\*



\* Berlin, Cologne, Düsseldorf, Frankfurt, Hamburg, Munich, Lyon, Central Paris, Central London, Brussels, Barcelona, Madrid, Dublin, Milan, Rome, Luxembourg, Amsterdam, and Warsaw

Source: BNP Paribas Real Estate Research

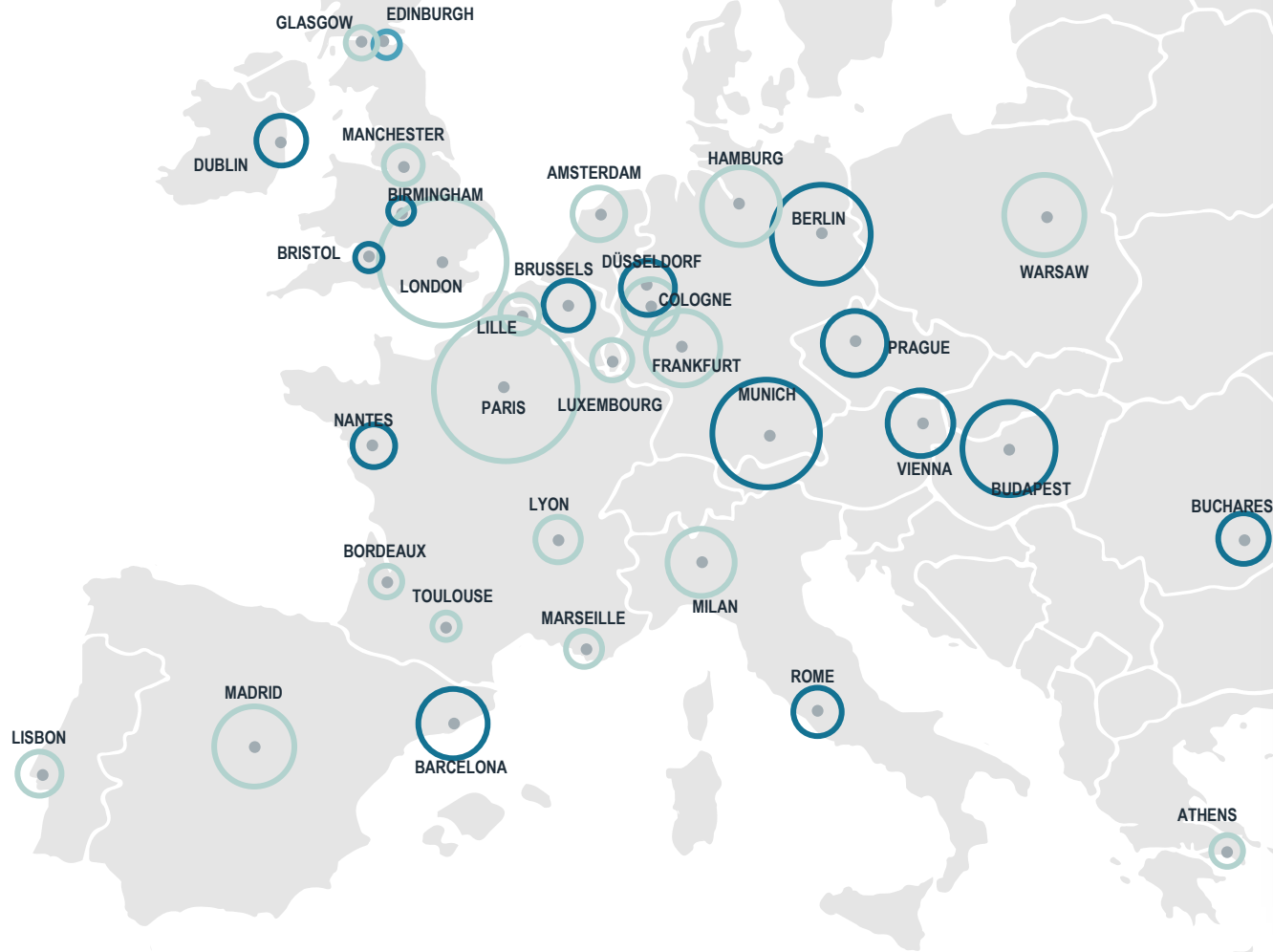
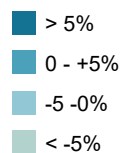
# Office Take-up

Letting activity slowed in Q1 2026

## Q1 2026 vs Q1 2025

	CENTRAL LONDON	-15%	
	BERLIN	+42%	
	CENTRAL PARIS	-23%	
	AMSTERDAM	-34%	
	MADRID	-25%	
	MILAN	-36%	
	WARSAW	-14%	
	BRUSSELS	+11%	
	DUBLIN	+21%	
	LUXEMBOURG	-39%	
	VIENNA	+61%	
	FRANKFURT	-60%	
	BARCELONA	+34%	

Deals in thousand sqm



**EUROPE – Q1 2026**  
**2.1m sqm** 34 Markets  
 -12% vs Q1 2025

## Erratic Performance

- Munich stood out as Germany's most dynamic office market, recording an impressive 172,000 sqm of take-up in Q1 (+26% vs Q1 2025), its highest quarterly volume since 2022. Three transactions above 20,000 sqm were completed during the quarter. Berlin followed with similarly strong momentum, posting 146,000 sqm of take-up, up 42% year on year.
- Central London recorded 242,000 sqm of office take-up in Q1 2026 (-15% y/y), with mid-sized transactions (2,500–10,000 sqm) down by 50%.
- Economic uncertainty in France is leading many large-scale occupiers to be cautious in acquiring new space.
- In Barcelona, demand remained dynamic in Q1 2026.

Source: BNP Paribas Real Estate Research



# Office Prime Rents

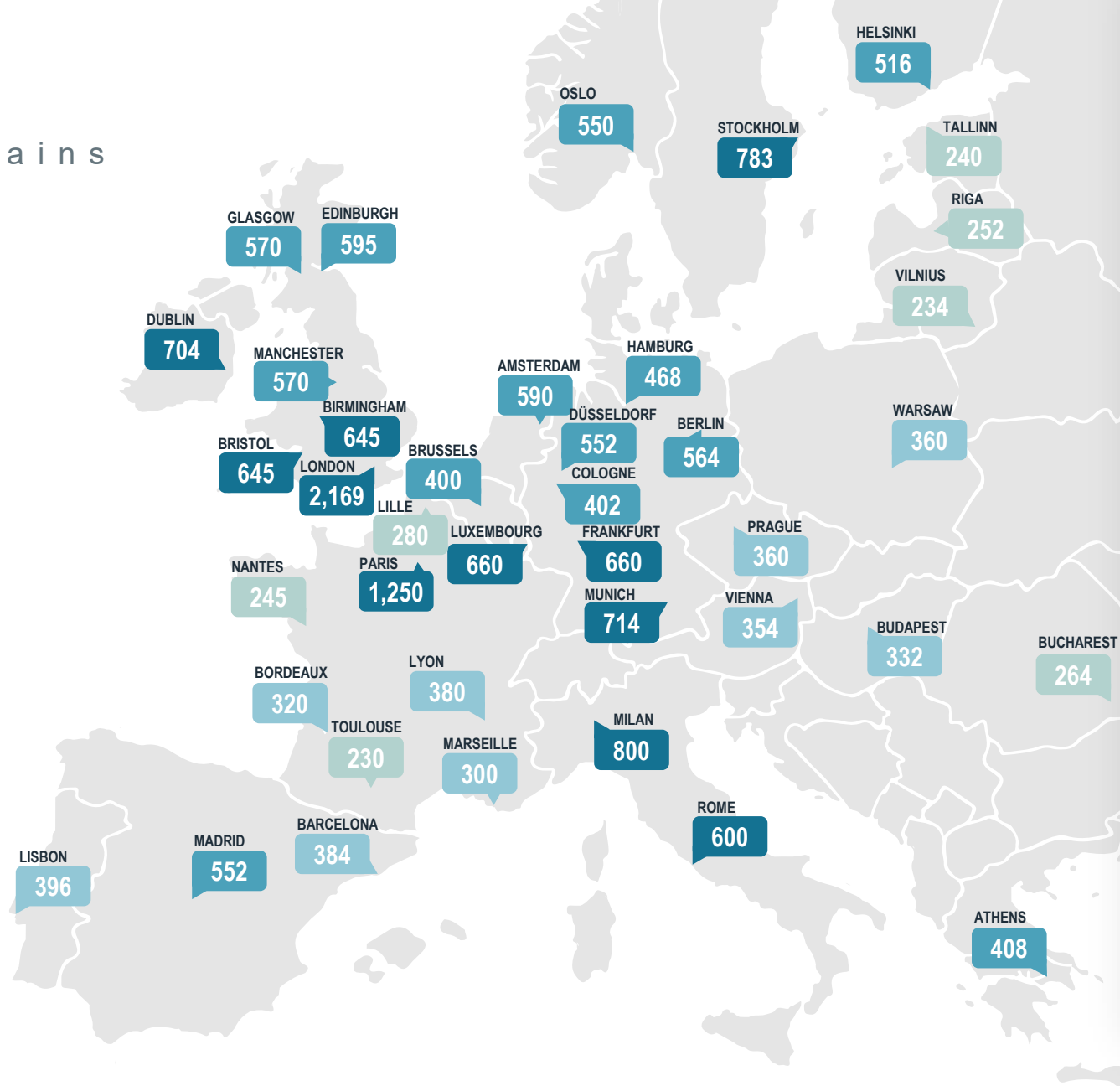
Rental Growth Remains Strong

## Q1 2026 vs Q1 2025

	CENTRAL LONDON	+6%	↗
	BERLIN	+2%	↗
	CENTRAL PARIS	=	→
	AMSTERDAM	+4%	↗
	MADRID	+7%	↗
	MILAN	+7%	↗
	WARSAW	=	→
	BRUSSELS	=	→
	DUBLIN	+5%	↗
	LUXEMBOURG	=	→
	VIENNA	+4%	↗
	FRANKFURT	+2%	↗
	BARCELONA	+10%	↗

Rents (€/sqm/year)

	≥ €600		€400-600
	€300-400		< €300



EUROPE – Q1 2026

+4.3% vs Q1 2025

40 Markets

## Southern European Markets Gaining Momentum

- Prime office rents continue to rise across most European cities, driven by a persistent shortage of new supply.
- Southern European markets stand out, with strong rental recorded in Barcelona (+10%), Madrid and Milan (+7%), and Rome (+4.5%).
- Despite rents continually rising, real estate strategies are increasingly shaped by talent attraction and retention considerations, rather than by the pursuit of the lowest possible occupancy costs.
- At the same time, most affordable fringe locations offering characteristics comparable to CBD areas may help temper future rental growth in core markets.

Source: BNP Paribas Real Estate Research

# LOGISTICS MARKET

# Logistics Warehousing Market in Europe

Contrasting trends across Europe

Q1 2026



## TAKE-UP\*

**+10%**

vs. Q1 2025

Strong disparities across Europe with Germany, the UK Spain, Poland and Italy enjoying a good start to the year



## PRIME RENTS

**+2.7%**      **+0.6%**

over 1 year

Last quarter

Moderate growth  
The slow market activity is still easing the pressure on rental growth



## INVESTMENT

**-21%**

vs. Q1 2025

The Middle East crisis disrupted the good momentum recorded in 2025



## PRIME YIELDS

**+132 bps**      **+3bps**

Since Q1 2022

over 1 year

Stable overall with some price adjustments reflecting higher long-term government bond yields

\* Warehouses above 5,000 sqm  
(France, Germany, Italy, Netherlands, Poland, Spain, United Kingdom)

Source: BNP Paribas Real Estate Research

# Logistics Occupier Market in Europe

Strong disparities within Europe

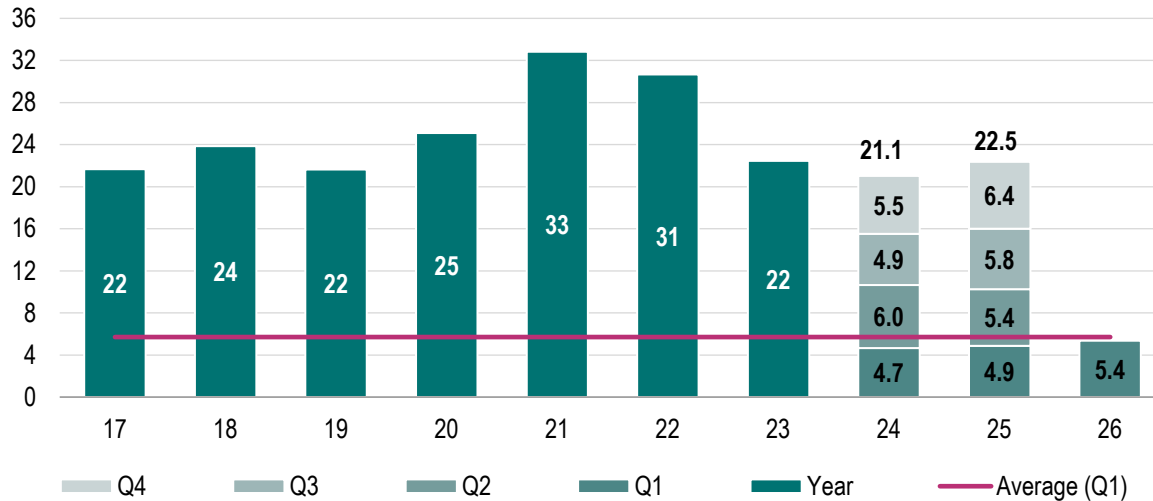


**+10%**  
vs. Q1 2025

**TAKE-UP**  
7 countries

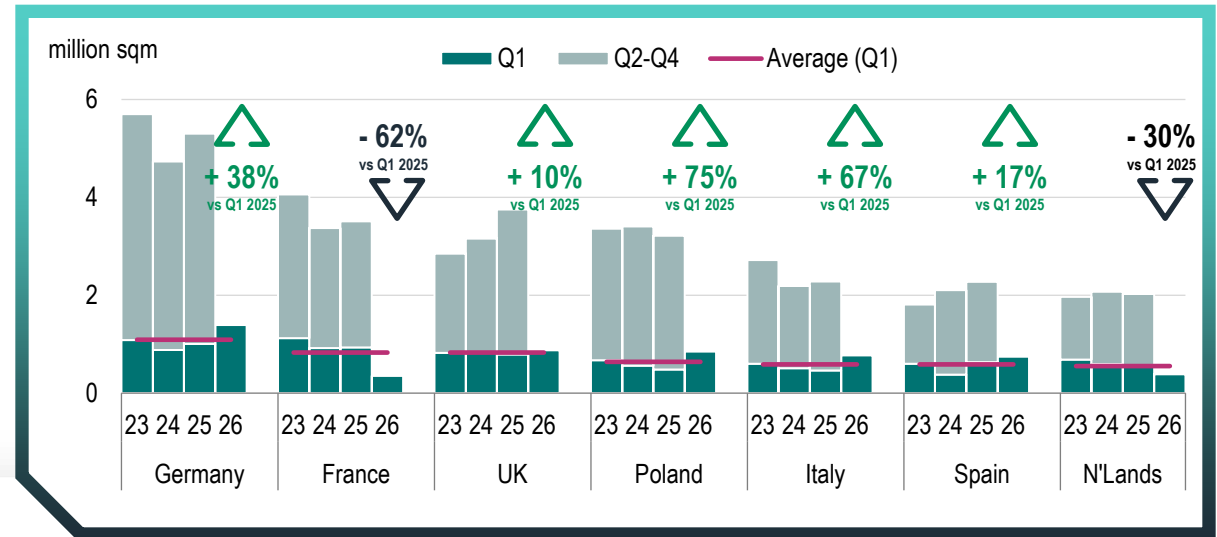
- The logistics market is showing great disparities between the leading European countries.
- The market was mainly driven by 3PLs, representing nearly 50% of total take-up over the past twelve months in the main countries.
- The risk of oversupply is limited even though vacancy rates have been increasing in some markets.

million sqm **Below its 5-year average, the market is picking up**



## Take-up

Warehouses over 5,000 sqm



- **Germany** confirmed in Q1 2026 the positive signs recorded last year. Activity was boosted by strong demand from 3PLs and a higher number of large-scale deals.
- In **France**, activity was slow with demand subdued by concerns about tariff and trade agreements and political uncertainties.
- In the **UK**, the market was upheld by the demand of 3PLs and retailers. Activity remained strong in the leading markets ; the Midlands/Birmingham accounted for 45% of total take-up in Q1 2026.
- **Poland** recorded a strong start to the year boosted by large transactions.
- In **Italy**, logistics take up achieved the highest first quarter results on record, driven by logistics players' expansion and consolidation strategies, with the 3PL sector continuing to play a key role.
- **Spain** remains one of the most dynamic markets in Europe with take-up reaching levels seen in its best years historically, both in Barcelona and Madrid.
- In the **Netherlands**, the market was constrained by a lack of new developments.

Source: BNP Paribas Real Estate Research

# Logistics Prime Rents

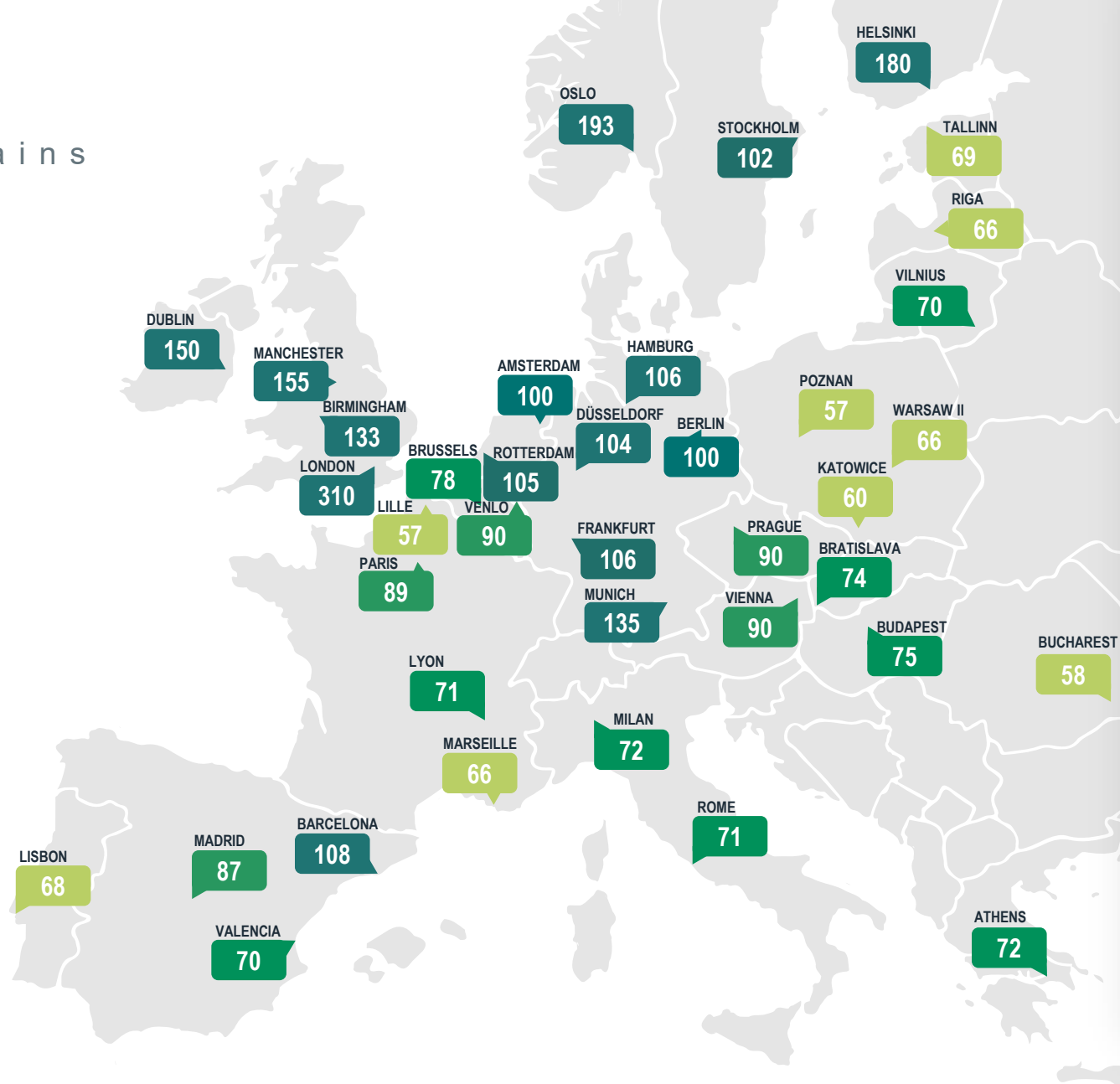
Rental growth remains strong

## Q1 2026 vs Q1 2025

	FRANKFURT	+7%	↗
	BERLIN	+1%	↗
	LONDON	→	→
	BIRMINGHAM	→	→
	PARIS	→	→
	VENLO	+9%	↗
	MADRID	+4%	↗
	BARCELONA	+6%	↗
	WARSAW II	+10%	↗
	PRAGUE	-4%	↘
	MILAN	+4%	↗
	STOCKHOLM	→	→
	OSLO	+5%	↗

Rents (€/sqm/year)

	≥ €100	1 GBP	€ 1.1516
	€70-100	1 SEK	€ 0.0935
	< €70	1 NOK	€ 0.0878



## EUROPE – Q1 2026

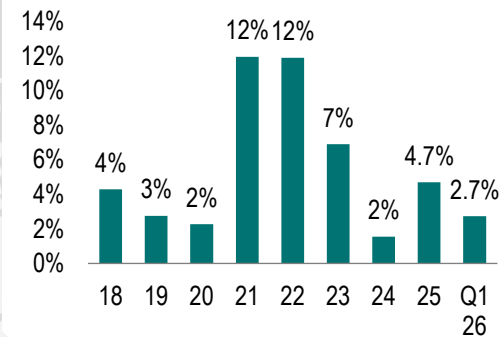
**+2.7%** vs Q1 2025

45 markets, 21 countries

**+2.7%**  
vs Q1 2025

**+0.6%**  
vs last quarter

## Rental growth\* (year-on-year)

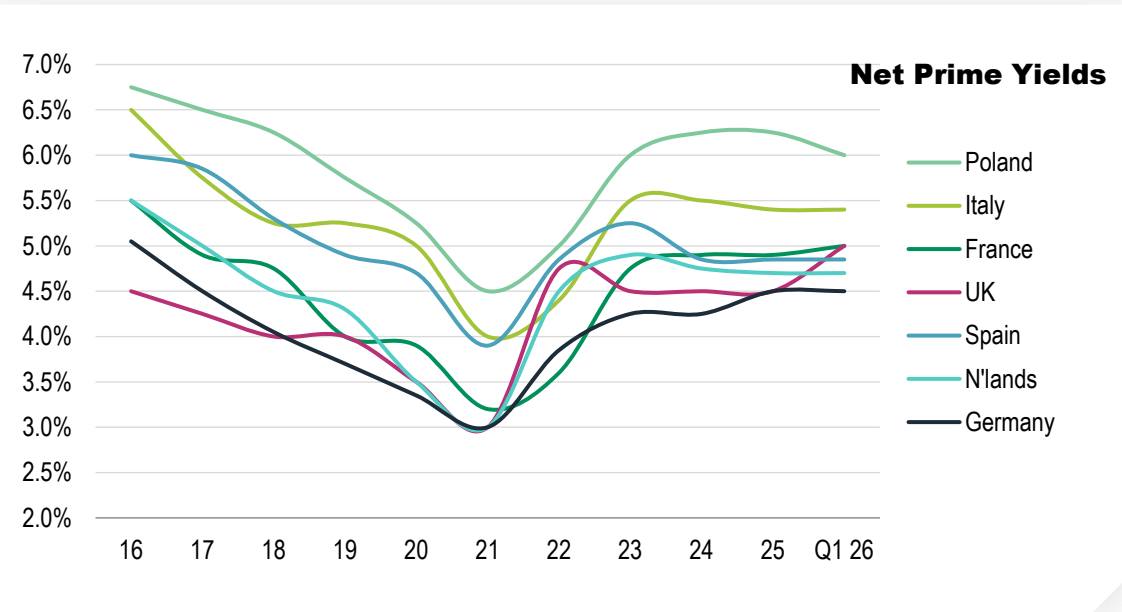


\*At current prices

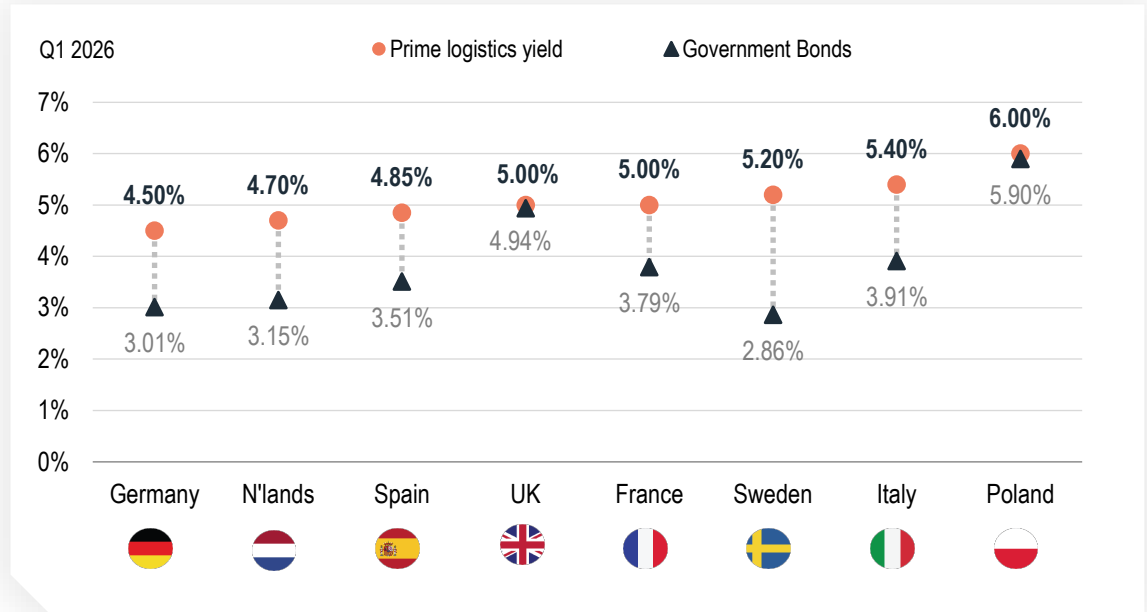
Source: BNP Paribas Real Estate Research

# Net prime Yields in Europe

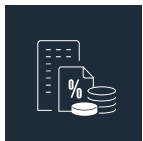
Stabilisation with some price adjustments



## Net Prime Yields – Grade A warehouses (big boxes) for standard lease terms (5 to 15 years)



### PRIME YIELDS



**+132 bps**  
Since Q1 2022

**+3 bps**  
over 1 year

- Logistics prime yield expansion over the past two years had ceased with moderating inflationary pressure and long-term government bond yields hitting a ceiling.
- During Q1 2026, long-term government bond yields increased on average by 25bps in Europe (over 21 countries). With higher bond yields and moderate rental growth, price adjustments have been recorded in France, Germany and the UK.

Source: BNP Paribas Real Estate Research

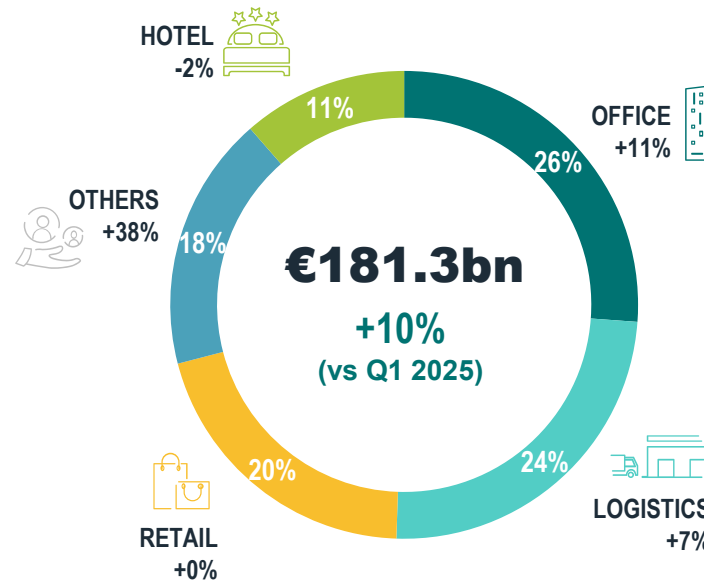
# RETAIL MARKET

# Total Commercial Real Estate Investment

Stable retail market share

- Amidst the outbreak of war in the Middle East in the first quarter of the year, European Commercial Real Estate investment managed to record a volume increase of 10% compared to last year.
- However, investment into retail remained stable over the year and accounted for 20% of CRE investment in Q1 2026, losing 2% of its market share. Despite the challenges the sector faces, retail remains the third sector for investment deployment after offices and logistics.
- The retail sector continues to display strong fundamentals with stable leasing activity, sales-based revenue streams, the expansion of store openings and the adaptability of the segment to consumer trends. Shopping centres and retail parks stood as the main drivers of capital inflows, while prime locations define value creation for high street assets.

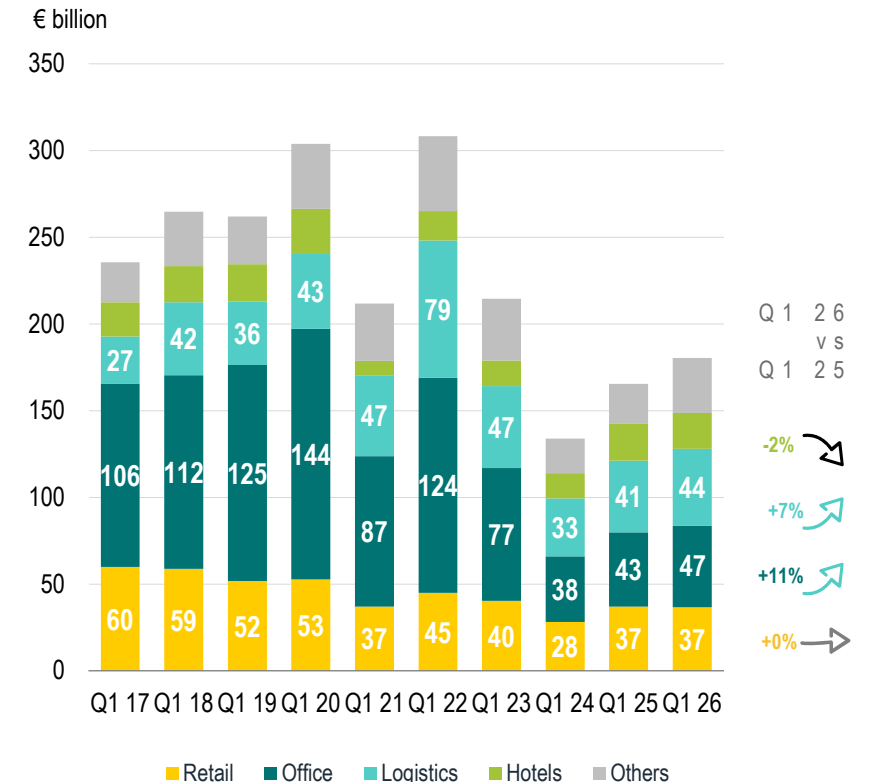
CRE Investment – Q1 2026 – rolling year



BREAKDOWN Q1 2025

OFFICE	26%
LOGISTICS	25%
RETAIL	22%
HOTEL	13%

CRE Investment – 2017-2026 (rolling year)



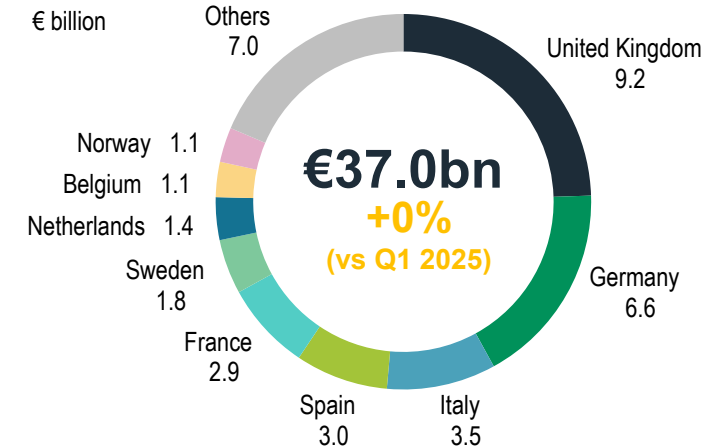
Source: BNP Paribas Real Estate Research

# Retail Investment by Country

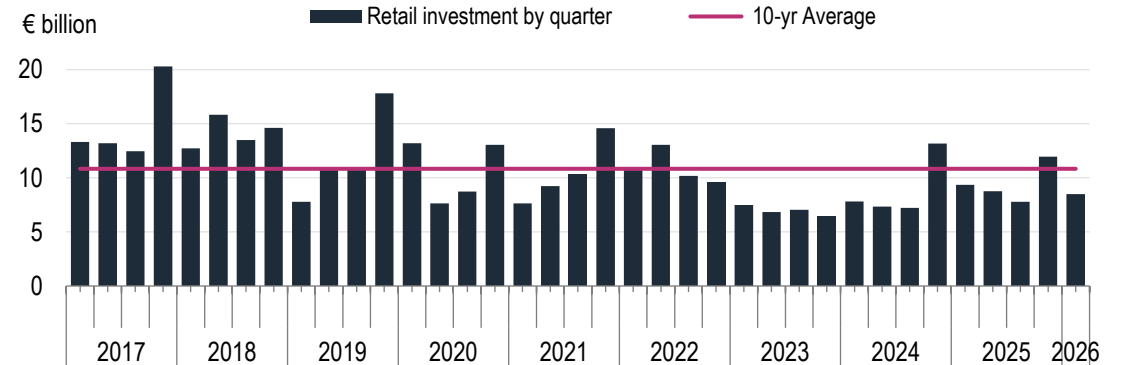
Major deals continue to occur even with a slower market

- **Retail Investment reached €37.0 billion in Q1 2026 on a rolling year basis, closing with a stability in investment volumes.**
- **Although the end of 2025 demonstrated strong investment activity, the momentum slowed down at the beginning of 2026.**
- The **United Kingdom** remains the leader for European Retail Investment at **€9.2bn despite volume reduction of 16%**. The most notable deals of Q1 were the Merry Hill shopping centre in Briery Hill (€335m), as well as the Team Valley Retail World retail park (€120m), and a Sainsbury supermarket at €100m.
- **Germany** maintains its position as the second destination in Europe with an **increase of 17%** in volumes year-on-year. The Hoefe am Bruehl shopping centre transaction in Leipzig stood out this quarter at €160m.
- **France saw a decline of 30% in its investment volumes**, giving way to **Italy to become** the third destination market for investment. **Volumes grew 11% year-on-year**, notably with the Scalo Milano Outlet & More transaction that closed at €200m.
- **Spain, with a 43% uptick in volumes over the year**, remains one of Europe's key retail investment destinations, particularly with the Islazul shopping centre in Madrid (€340m) and the Centro Commercial Bonaire in Valencia (€305m)
- **Sweden** still holds the sixth position on the European market, **with a 75% increase** in volumes over the year, **while Belgium (+131%) and the Netherlands (+97%)** also stood out this quarter
- **Norway, with €1.1bn deployed over the year**, also ranks among the most active retail markets in Europe.

## Breakdown by country (Q1 2026 – 12 months)



## Retail Investment by quarter

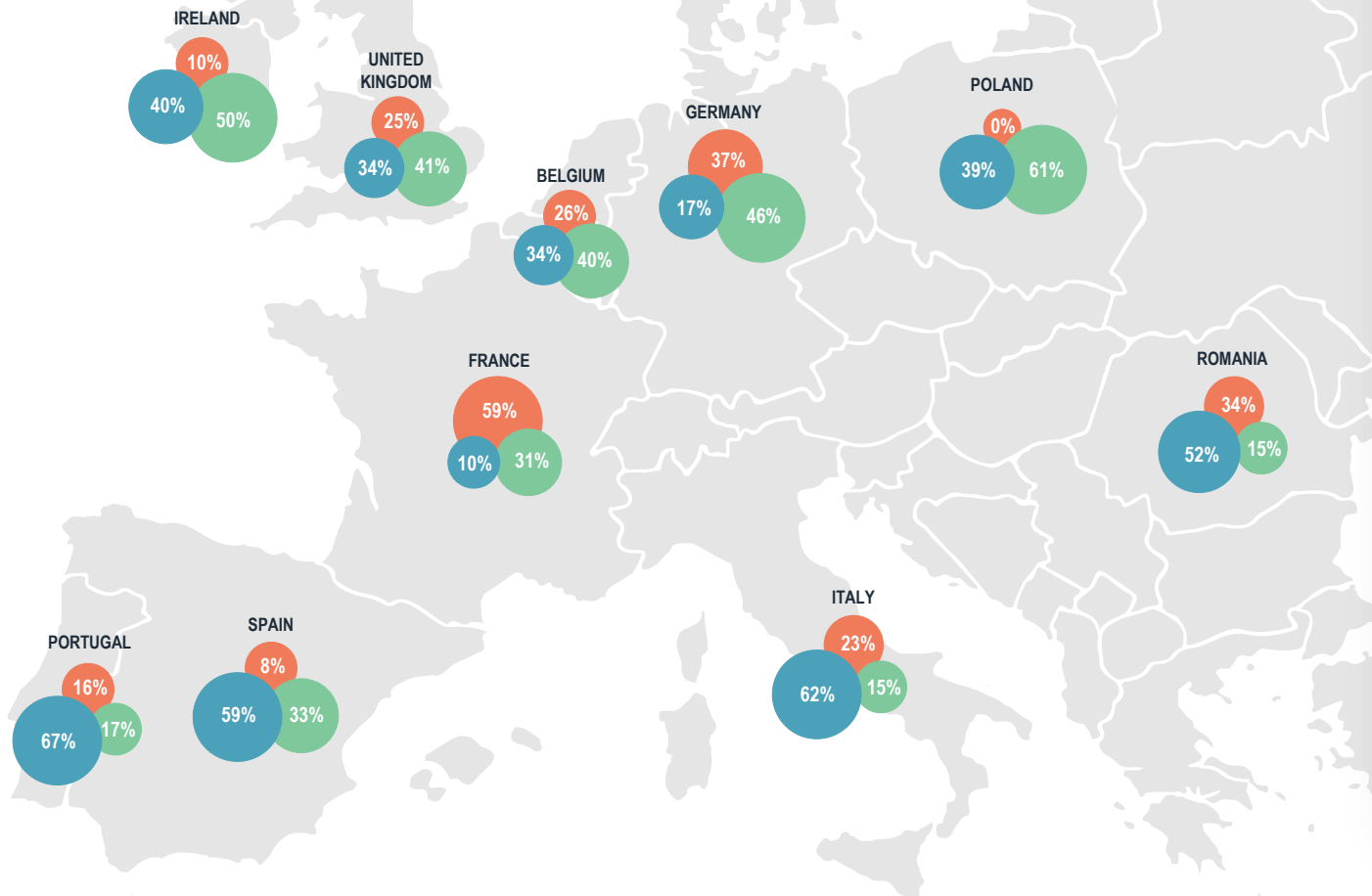


Source: BNP Paribas Real Estate

Source: BNP Paribas Real Estate Research

# Retail Investment Breakdown

Retail Warehousing is the preferred investment sector in most countries



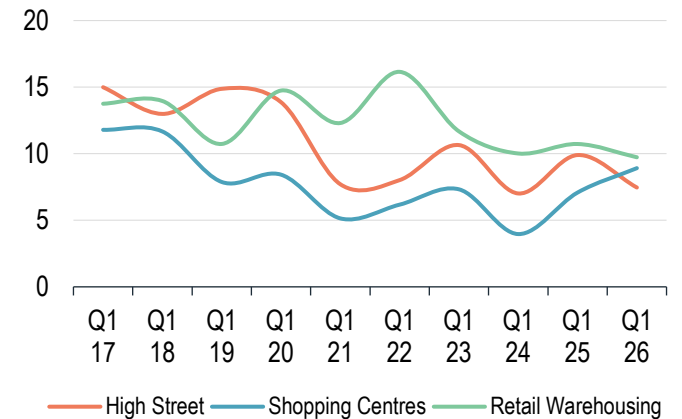
Share in total retail investment

- High Street
- Shopping Centre
- Retail Warehousing

\*6 Markets : France, Germany, Italy, Poland, Spain, United Kingdom

- Shopping centre investment maintained a steady pickup in activity since its 10-year low point in 2024. Improvement in activity is noticeable in southern European countries, as well as in Romania where shopping centre investment takes up more than half of overall retail investment volume.
- Despite a 9% drop in transaction volumes over the year, retail warehousing still retains the highest share in retail investment in Europe. This is especially the case in Northern and Eastern European countries, most notably in Poland.
- Although expanding in 2025, high street retail is a volatile typology with volumes declining to their lowest point of the last ten years in this quarter. France remains the focus of high street investment in Europe, and improvement in activity occurred in Portugal and Belgium in Q1 2026.

**Retail Investment by Asset Type**  
6 Markets\*



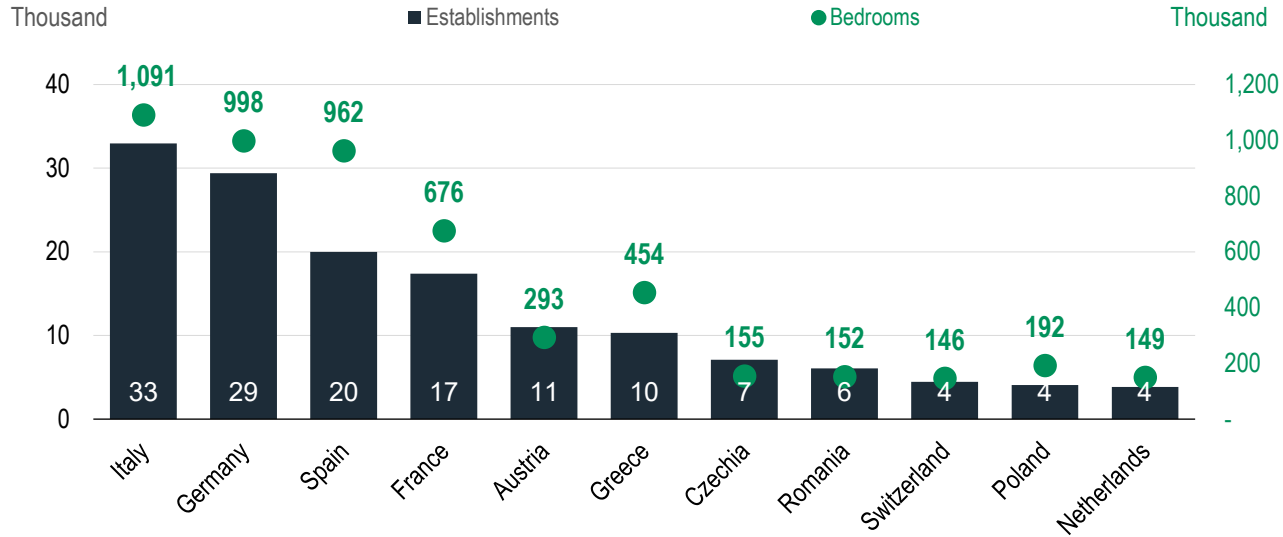
Source: BNP Paribas Real Estate Research

# HOTEL MARKET



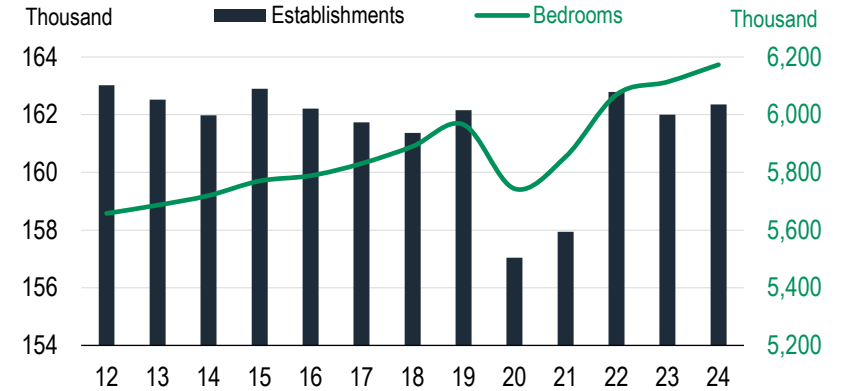
# Hotel Stock in Europe

Number of establishments & bedrooms in 2024

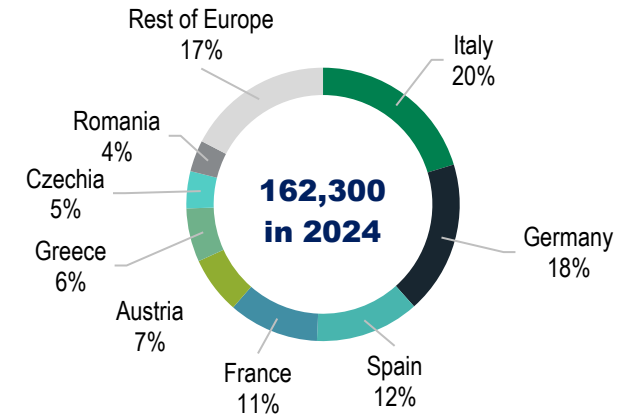


## Italy, Germany, Spain and France account for 61% of hotel numbers

- Italy has the largest capacity in Europe, both in the number of hotels and bedrooms
- Spain has fewer hotels but a larger capacity of accommodation per hotel



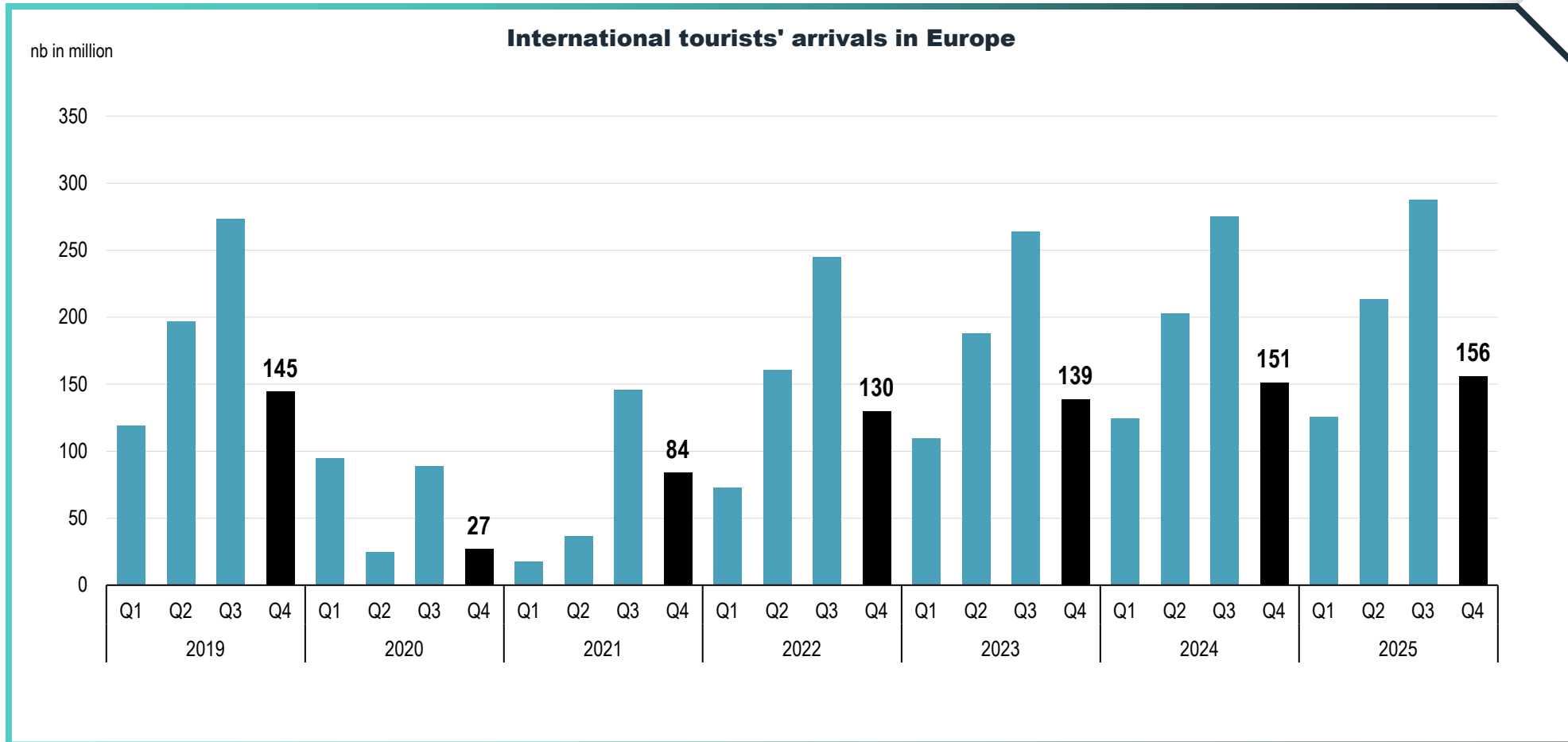
## Establishment distribution by country



Source: BNP Paribas Real Estate Research, Eurostat

# International Tourist Arrivals in Europe

Strengthening at a moderate rate year-on-year



## Tourist Arrivals in Europe - Q4 2025

**+3%**  $\Delta$

vs Q4 2024

**+12%**  $\Delta$

vs Q4 2023

**+20%**  $\Delta$

vs Q4 2022

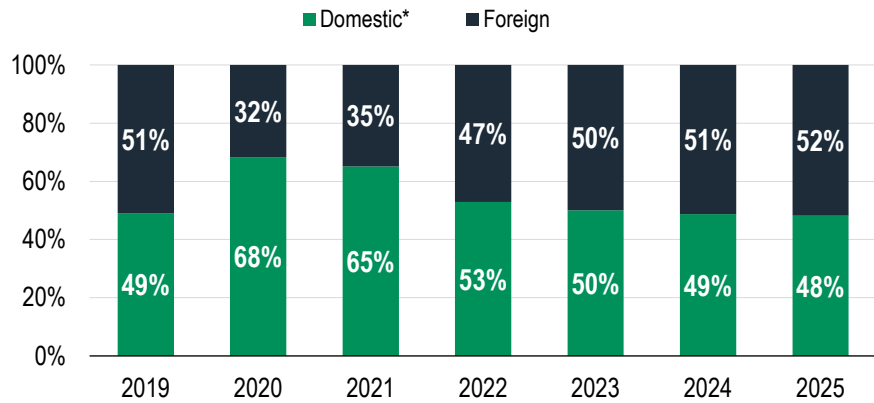
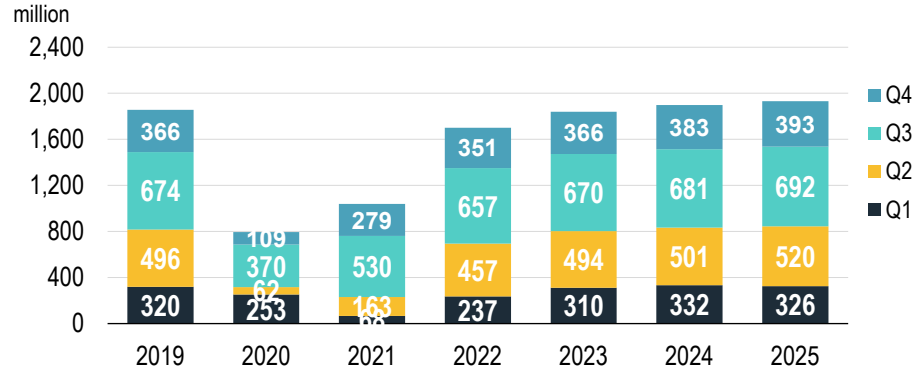
Sources: UN Tourism, BNP Paribas Real Estate Research

Source: BNP Paribas Real Estate Research, UN Tourism

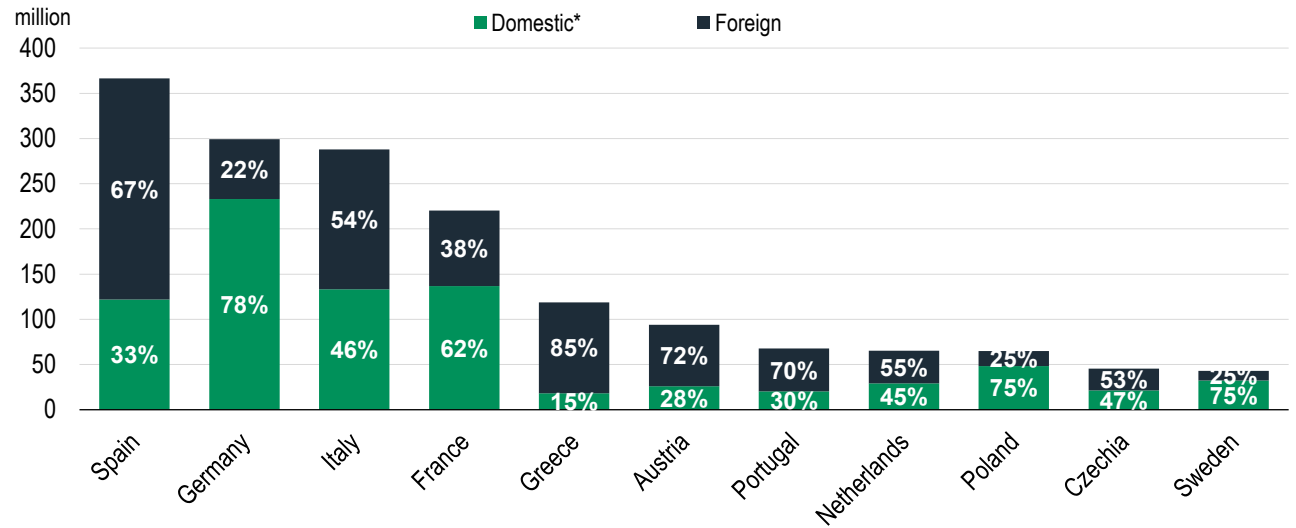
# Top Destinations in Europe

Slow but steady improvement in volumes

## Nights Spent at Tourist Accommodation Establishments (EU-27)



## Nights Spent in 2025



### The number of tourists in Europe continues to gradually increase

- Nights spent increased by 1.7% in 2025 (vs 2024)
- International tourism has been particularly strong in Spain, Italy and Greece, whilst domestic tourism was predominant in Germany and France.

Source: BNP Paribas Real Estate

Source: BNP Paribas Real Estate Research, Eurostat

# RESIDENTIAL MARKET

# Residential Investment

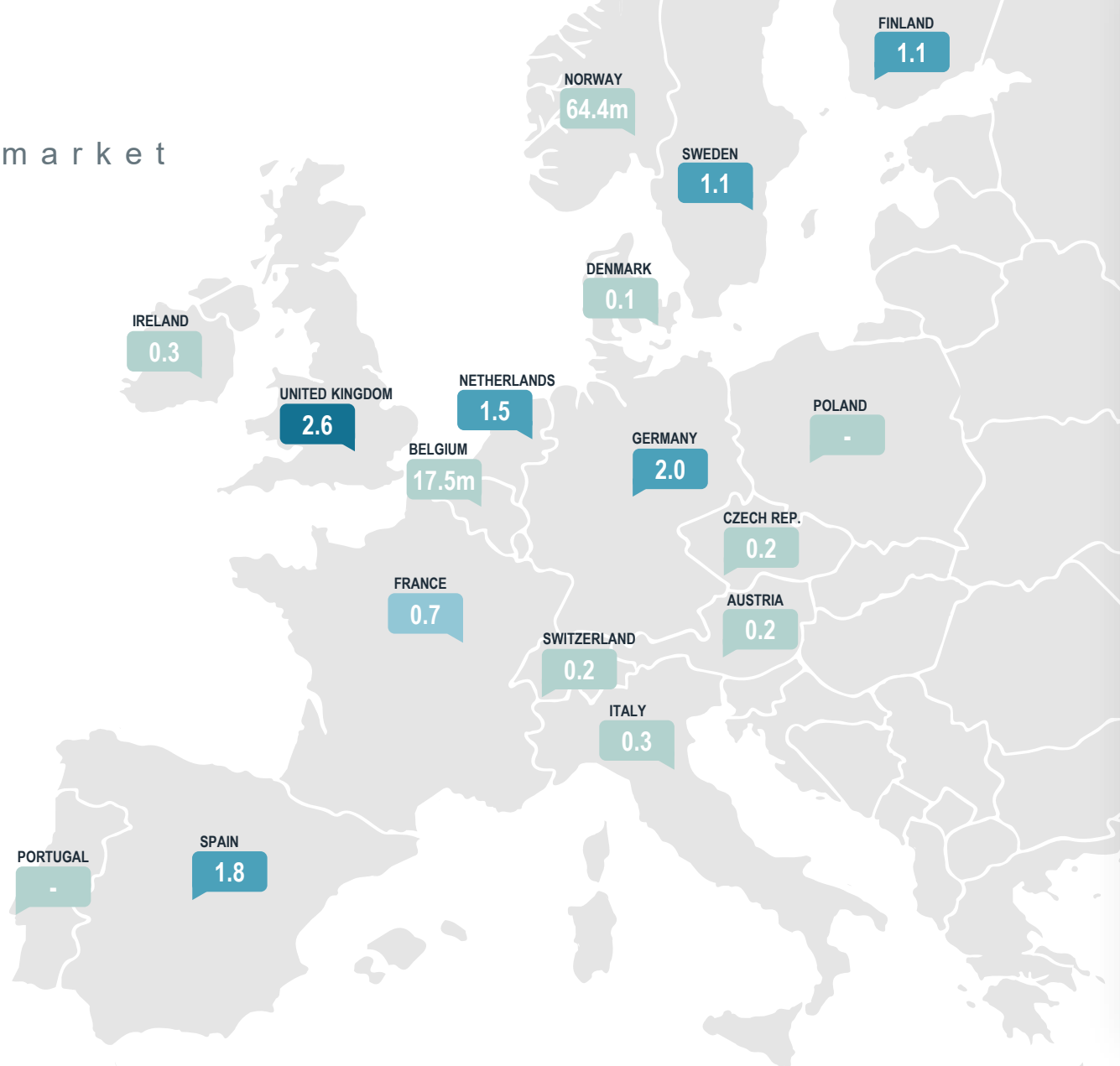
Growing European market

## Q1 2026 vs Q1 2025

	UNITED KINGDOM	-6%	↘
	GERMANY	-22%	↘
	FRANCE	-23%	↘
	SWEDEN	+70%	↗
	NETHERLANDS	+212%	↗
	SPAIN	+163%	↗
	ITALY	+134%	↗
	NORWAY	-60%	↘
	POLAND	-	
	BELGIUM	+573%	↗
	DENMARK	-89%	↘
	FINLAND	+1336%	↗
	IRELAND	+2293%	↗
	AUSTRIA	+213%	↗

Volume of Investment

	≥ €2bn		€2bn - 1bn
	€ 1bn - 500m		< €500m



**EUROPE – Q1 2026**  
**€12.0bn** +21.2% vs Q1 2025

- Residential investment volume in Europe reached €12.0bn in Q1 2026, increasing by 21.2% y/y thanks to a greater number of large transactions driving upward residential activity.
- The underlying residential fundamentals remain positive. Strong disequilibrium exists between demand and supply in large urban cities. In these locations there are positive population and income growth and upwards pressure in the rental market.
- This 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 (portfolios especially) that enable investors to buy at scale.
- Nevertheless, even with these obstacles, the residential segment remains among the most targeted sectors according to INREV's Investor Intentions survey (March 2026).

Source: BNP Paribas Real Estate Research

# Residential Prices

House prices hit new record highs in 11 markets

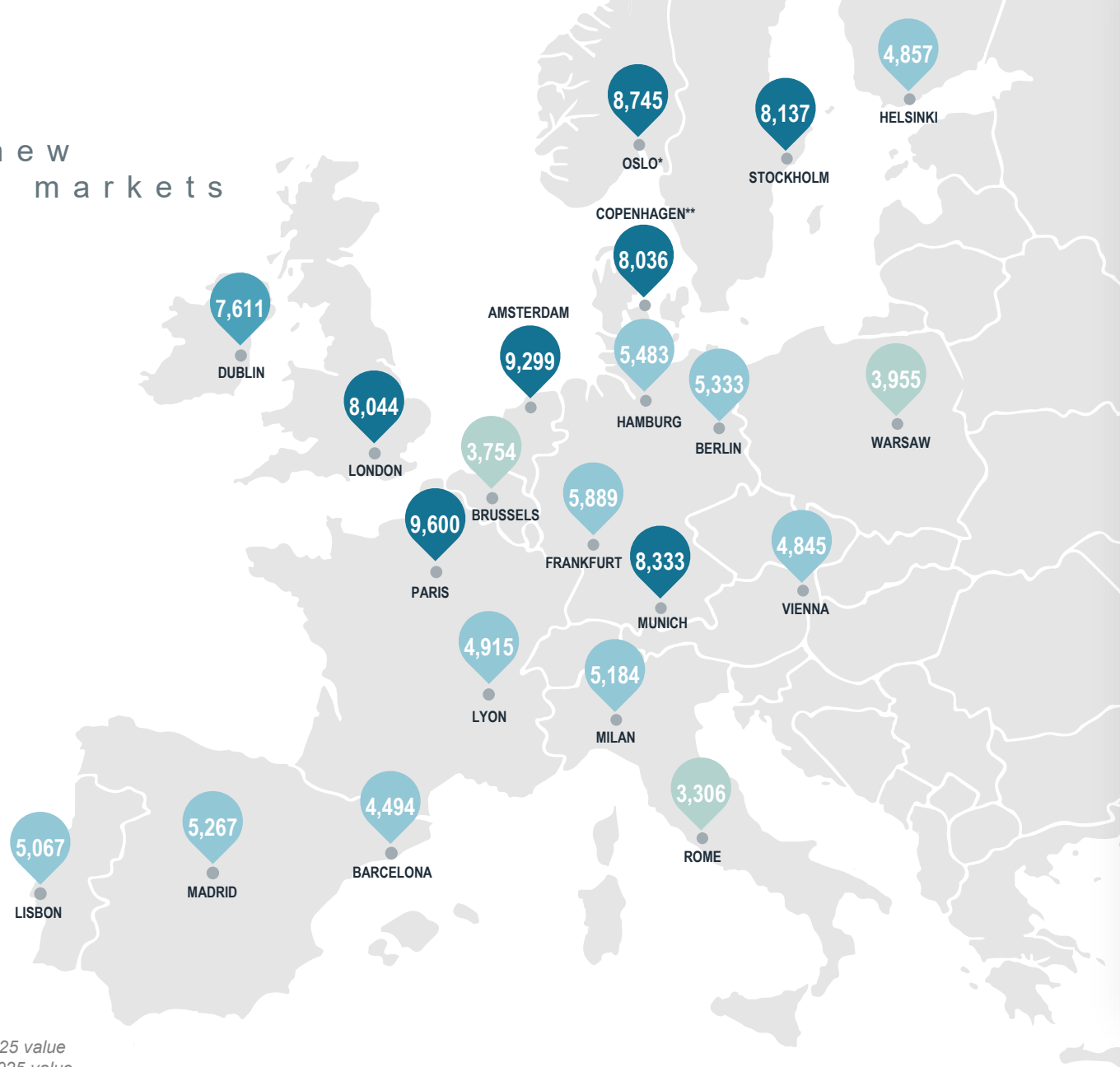
## Q4 2025 vs Q4 2024

	BERLIN	+3%	
	MUNICH	+3%	
	FRANKFURT	+2%	
	DUBLIN	+5%	
	LONDON	-5%	
	PARIS	+1%	
	AMSTERDAM	+6%	
	MADRID	+18%	
	BARCELONA	+12%	
	WARSAW	-1%	
	MILAN	+2%	
	LISBON	+15%	
	BRUSSELS	+5%	

Prices (€/sqm) - Net of transfer fees

	≥ €8,000		€6,000 - 8,000
	€4,000 - 6,000		< €4,000

Note:  
\*Q3 2025 value  
\*\*Q2 2025 value



EUROPE – Q4 2025  
**+5.1%** vs Q4 2024

- House prices across European cities expanded on aggregate by 5.1% in Q4 2025 vs Q4 2024.
- Compared to the Q4 2024, the 5 cities experiencing double-digit growth included Madrid (+18%), Valencia (+16%), Lisbon and Seville (+15%) and Barcelona (+12%).
- High growth also occurred in Marseille (+8% y/y), Rome (+7% y/y), Amsterdam (+6% y/y), Dublin, Manchester and Brussels (+5% y/y).
- In Q4 2025, house prices continue to fall in London (-5% y/y). Uncertainty over new property taxes is a major factor behind falls in prices. April 2025 saw stamp duty reform, which removed tax relief for first-time buyers increasing purchase costs. In addition, tax reforms on non-domiciled international buyers have deflated demand at the top end of the luxury market.
- Price decreases occurred also in 2 other cities: Helsinki (-2% y/y) and Warsaw (-1% y/y).

Source: BNP Paribas Real Estate Research

# Residential Rents

Rents hit new record highs in 16 markets

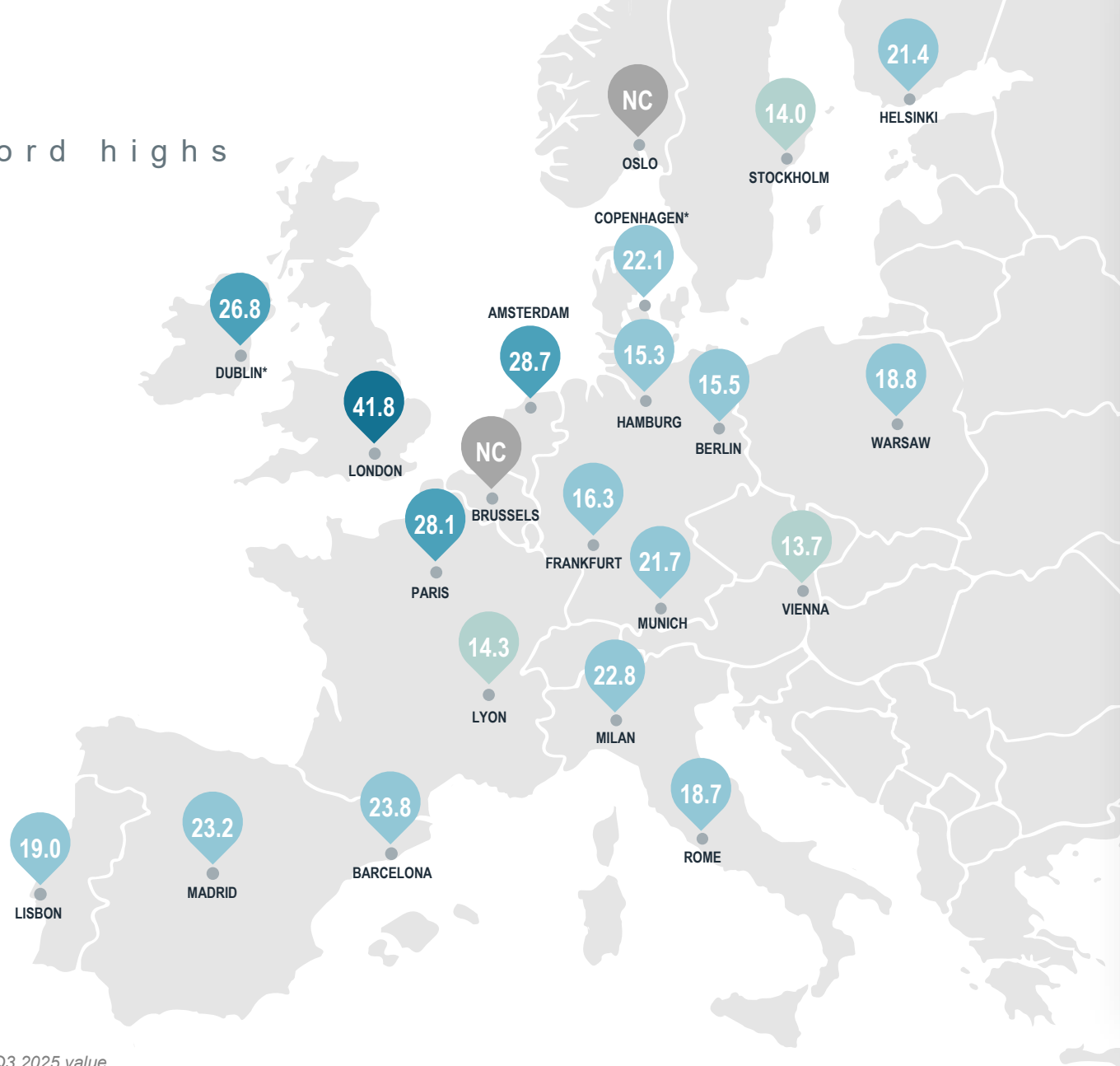
## Q4 2025 vs Q4 2024

	BERLIN	+3%	↗
	MUNICH	+4%	↗
	FRANKFURT	+5%	↗
	DUBLIN*	+5%	↗
	LONDON	+3%	↗
	PARIS	+1%	↗
	AMSTERDAM	+9%	↗
	MADRID	+12%	↗
	BARCELONA	+2%	↗
	WARSAW	→	→
	MILAN	-2%	↘
	COPENHAGEN*	+3%	↗
	HELSINKI	-4%	↘

Rents (€/sqm/m)

	≥ €35		€25-35
	€15-25		< €15

Note: \*Q3 2025 value



EUROPE – Q4 2025  
+3.9% vs Q4 2024

- Residential rental values across European markets were still expanding in Q4 2025 at +3.9% y/y.
- Demand in the rental market continues to rise despite high rental values. 4 factors explain this: 1) higher cost of purchase prices resulting in a decrease in property purchase affordability, 2) European energy regulations and limits on rent increase prompting lessors to leave the rental market, worsening the supply shortage, 3) more profitability can be achieved in the short-term rental market as tourism rises, 4) lack of new housing construction.
- Most of European cities experienced rent growth during Q4 2025. Double-digit rental growth occurred in 2 of the 31 markets: Madrid (+12% y/y) and Valencia (+10% y/y).
- In Helsinki, rent growth declined (-4% y/y) mainly due to the abundant of housing supply supported by the dynamic residential construction of 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.

Source: BNP Paribas Real Estate Research

# Locations

## EUROPE

### FRANCE

#### Headquarters

50, cours de l'Île Seguin  
- CS 50280 92650 Boulogne-  
Billancourt cedex  
Tel.: +33 1 55 65 20 04

### GERMANY

Goetheplatz 4  
60311 Frankfurt am Main  
Tel.: +49 69 29 89 90

### UNITED KINGDOM

10 Harewood Avenue  
London NW1 6AA  
Tel.: +44 20 7338 4000

### BELGIUM

Rue Royale 52  
1000 Brussels  
Tel.: +32 2 290 59 59

### SPAIN

C/ Emilio Vargas, 4  
28043 Madrid  
Tel.: +34 91 454 96 00

### IRELAND

57 Adelaide Road,  
Dublin 2  
Tel.: +353 1 66 11 233

### ITALY

Piazza Lina Bo Bardi, 3  
20124 Milano  
Tel.: +39 02 58 33 141

### LUXEMBOURG

60, Avenue JF Kennedy  
1855 Luxembourg  
Tel.: +352 34 94 84

### Investment Management

Tel.: +352 26 06 06

### NETHERLANDS

The CubeHouse - Parnassusweg 789,  
1082 LZ Amsterdam  
Tel.: +31 20 305 97 20

### POLAND

Grzybowska 78,  
00-844 Warsaw  
Tel.: +48 22 653 44 00

### PORTUGAL

Avenida da República, 90 Piso 1,  
Fracção 1  
1600-206 Lisboa  
Tel.: +35 1 939 911 125

## MIDDLE EAST / ASIA

### DUBAI

Emaar Square  
Building n° 1, 7th Floor  
P.O. Box 7233, Dubai  
Tel.: +971 44 248 277

### HONG KONG, SAR CHINA

63/F, Two International  
Finance Centre  
8 Finance Street, Central,  
Hong Kong, SAR China  
Tel.: +852 2909 8888

### SINGAPORE

20 Collyer Quay, #17-04  
Singapore 049319  
Tel.: +65 681 982 82

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CZECH REPUBLIC  
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JERSEY  
NORTHERN IRELAND  
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