

REVIEW

RESIDENTIAL MARKET

EUROPE MAY 2026

RESEARCH & INSIGHTS



**BNP PARIBAS
REAL ESTATE**

Real Estate for a changing world



MAY 2026

RESIDENTIAL MARKET EUROPE

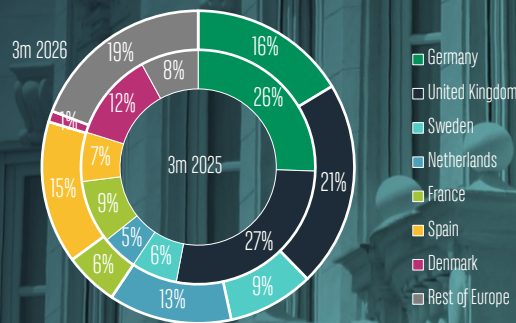
Residential market volumes grew in Q1 2026 due to some very large deals, although transaction numbers overall were lower.

KEY FIGURES

€12.0bn **+21.2% y/y**
TOTAL VOLUME INVESTED IN Q1 2026

25% **+5 p.p y/y**
SHARE OF RESIDENTIAL IN TOTAL REAL ESTATE INVESTMENT VOLUME IN Q1 2026

Country share of residential investment volume



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INVESTMENT VOLUME

The European residential investment volume reached €12.0bn in Q1 2026, an increase of 21.2% compared to Q1 2025. The increase in residential share to 25% of total real estate investment volume shows investors remain committed to the segment. The number of transactions has reduced, meaning the amounts deployed have been higher (including more portfolios have been transacted than last year). It suggests investors have moved quickly to seize the right large-scale opportunities, even with wider real estate market turbulence.

The counter-cyclical 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.

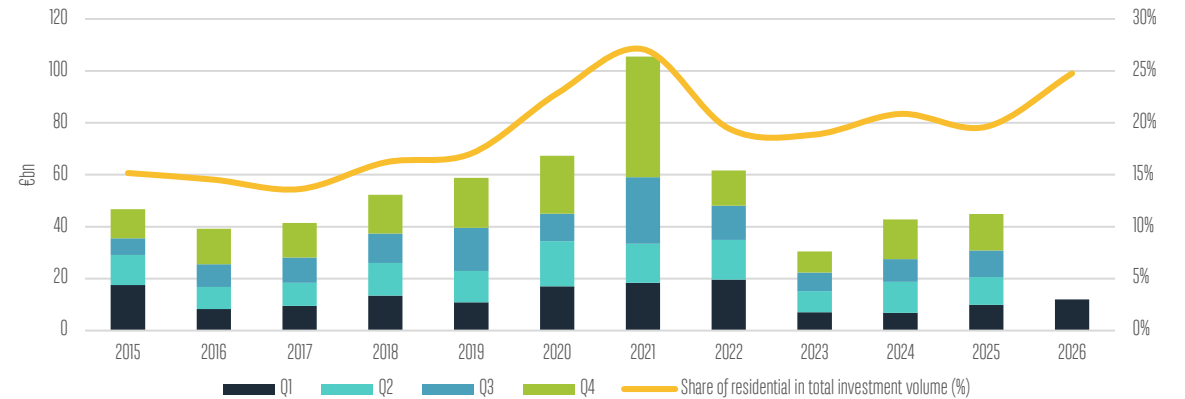
However, the sector faces two main challenges. The first is the threat of much tougher rental regulation across Europe. There is an inconsistent approach across Europe, with some countries debating the introduction of rental capping. The second is a lack of large lot sizes (especially portfolios) that enable investors to buy at scale. Hence, in Q1 2026, 37% of deals were portfolios, a low level compared to the long-term average of Q1 (57%).

Transactions above €100M account for 34% of the total volume and represent 14 deals out of the 196 closed. The activity in the super-sized segment of over €200 million accounts for stronger deal volume in Q1. This segment saw deal volume share increase to 17% compared to 13% in Q1 2025. Deals below €50M represented most of the transaction number overall at 161 transactions, though 19 fewer deals compared to last year.

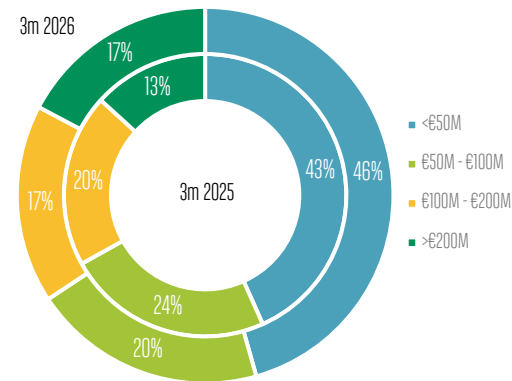
In Q1 2026, Investment Managers were the most active buyers (37%) in the market as they increasingly focus on diversifying portfolios. They were followed by Private Investors (34%) who have access to ample liquidity and a strong appetite for seizing new opportunities. Investment Managers increased their market share compared to Q1 2025 by 10p.p. overtaking Private Investors who are usually the most active players in residential and have the highest market share.

British (21%) and German (16%) buyers were the most active investors in the residential sector, although both reduced their capital deployment in Q1. Spanish (15%), Dutch (13%) and Swedish (9%) investors increased their residential exposure.

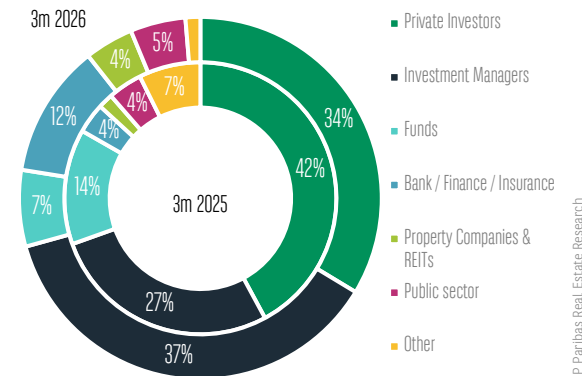
European residential investment volume



Breakdown by volume



Buyer typology



Source: BNP Paribas Real Estate Research



RESIDENTIAL PRICES

Residential prices across European cities expanded on aggregate by +5.1% in Q4 2025 vs Q4 2024.

5 cities experienced double-digit growth, including Madrid (+18%), Valencia (+16%), Lisbon and Seville (+15%) and Barcelona (+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 (-5% y/y). Uncertainty over new property taxes is a major factor behind falls in prices. House price declines were also observed in Helsinki (-2% y/y), and Warsaw (-1% y/y).

The average Euro area mortgage rate stood at 3.35% in Q1 2026, an increase of 3 bps y/y due to economic uncertainty. Persistent pressures on energy prices could influence inflation and the future mortgage rate path. Housing purchasing power therefore likely to remain limited.

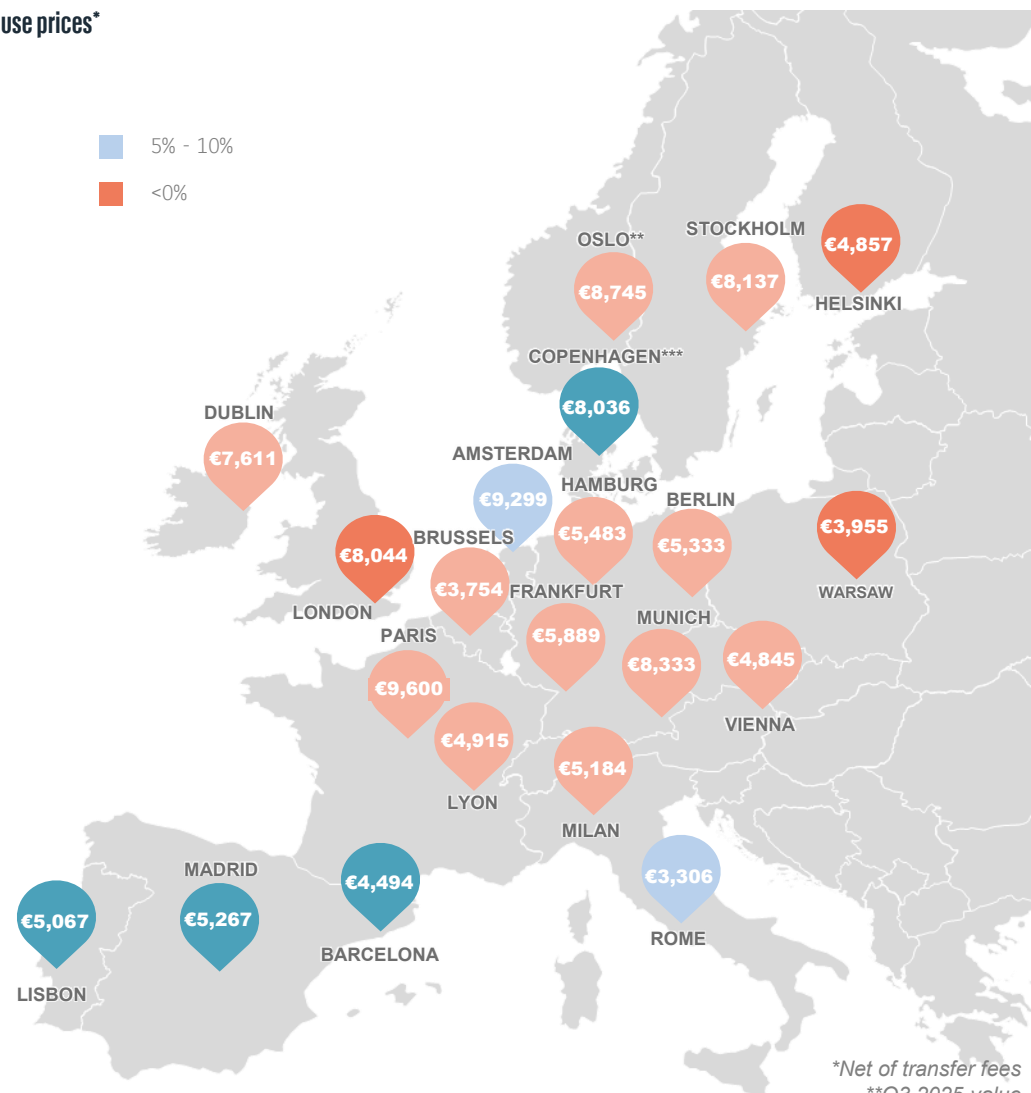
Mortgage rates

Q1 2026 rates (%) and q/q variations (bps) compared to Q4 2025

Countries	Rates		Countries	Rates		Countries	Rates	
Austria	3.45	+7bps	Germany	3.72	+1bps	Poland	6.13	-52bps
Belgium	3.44	-1bps	Ireland	3.50	-2bps	Portugal	2.80	-5bps
Denmark	4.71	+16bps	Italy	3.39	-1bps	Spain	2.75	+13bps
Finland	2.96	+14bps	Netherlands	3.47	-4bps	Sweden	3.36	+13bps
France	3.10	+11bps	Norway	5.39	+21bps	United Kingdom	5.75	-25bps

Residential house prices*

€/sqm - Q4 2025



*Net of transfer fees
**Q3 2025 value
***Q2 2025 value

Source: BNP Paribas Real Estate Research, ECB, National banks

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MAY 2026

RESIDENTIAL MARKET EUROPE

KEY FIGURES

EUROPEAN RENTS HIT NEW RECORD HIGHS

IN 16 CITIES

+3.9% vs. Q4 2024

IN Q4 2025 - EUROPE

+12% vs. Q4 2024

MADRID RENTAL GROWTH IN Q4 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

Rental demand is still increasing, leading to rental growth at the European level of +3.9% y/y in Q4 2025.

All European cities (except Helsinki and Milan) experienced rental growth in Q4 2025. Madrid exhibited the strongest growth (12%), reflecting intense demand, especially from younger age groups.

In Helsinki, rents declined due to abundant housing supply resulting from a surge in residential construction 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.

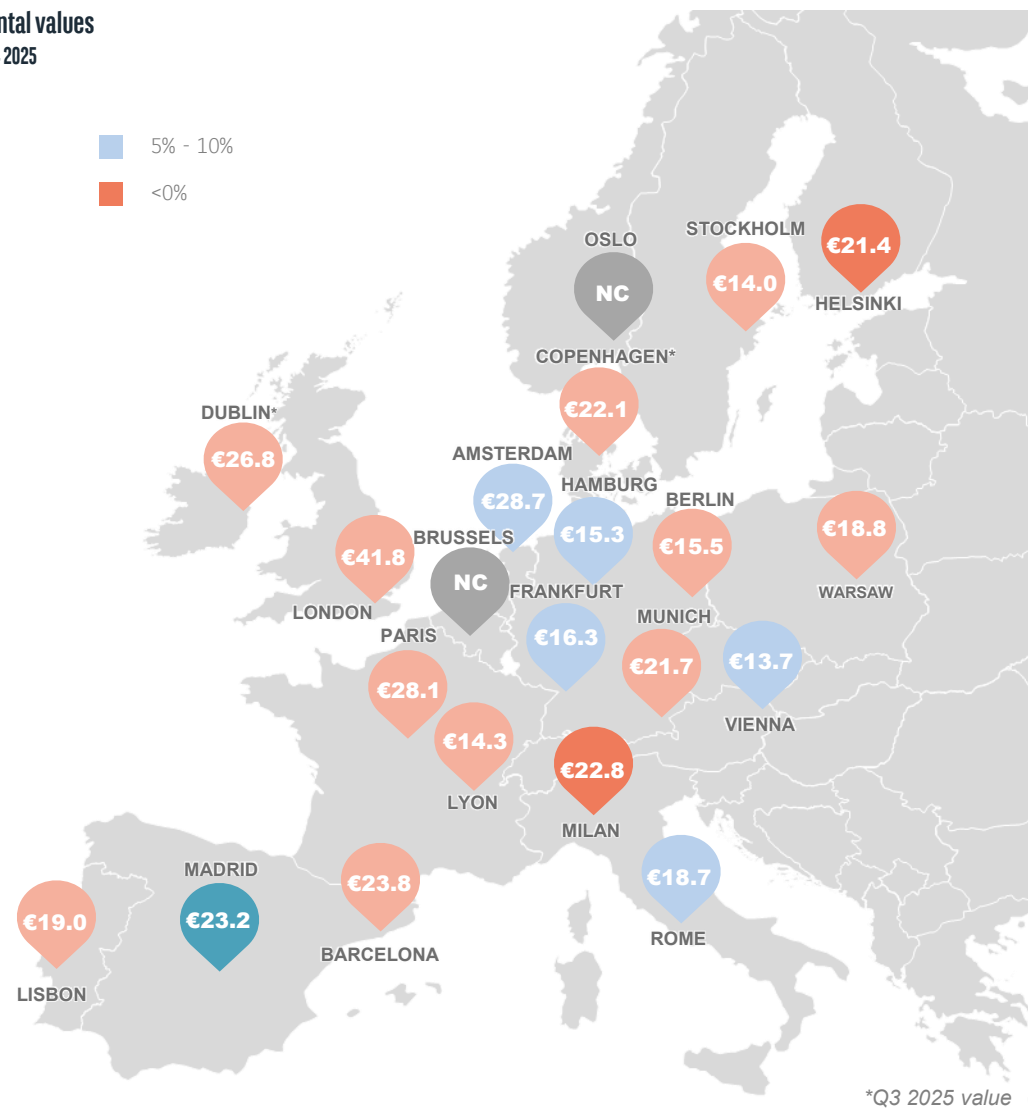
In Milan, rental growth is beginning to slow after several years of sustained increases. Rents had reached unsustainable levels due to stagnant local wages and an influx of foreign capital creating strong external demand. Rental growth continues elsewhere in Italy.



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Residential rental values

€/sqm/month - Q4 2025



*Q3 2025 value

Source: BNP Paribas Real Estate Research



MAY 2026

RESIDENTIAL MARKET EUROPE

KEY FIGURES

274,771 HOUSING PERMITS

IN Q1 2026 - EUROPE

▽
-27% compared to same period of last year

IN 17 EUROPEAN CITIES

RENTAL DEMAND IS EXPECTED TO INCREASE

Financing conditions

Monetary policy remains on hold, as central banks await clearer evidence on the pass-through of the hydrocarbon price shock to headline inflation. Markets are currently pricing in two ECB policy rate hikes by 25bps. Nevertheless, current financing conditions still offer investment opportunities, especially for larger players who want to take advantage of housing needs.

Lack of supply persists

274,771 housing permits were recorded in Europe in Q1 2026, a 27% y/y decrease and lower than the Q1 10-year average of around 0.5 millions. 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 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 17 European cities in Q4 2025, suggesting that buying is more expensive than renting. Consequently, rental demand is expected to grow in these markets, especially in Stockholm, and in German and French cities.

Rental market regulations

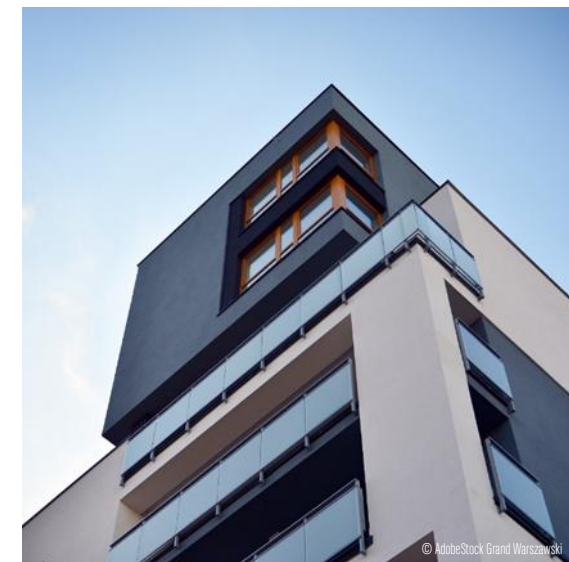
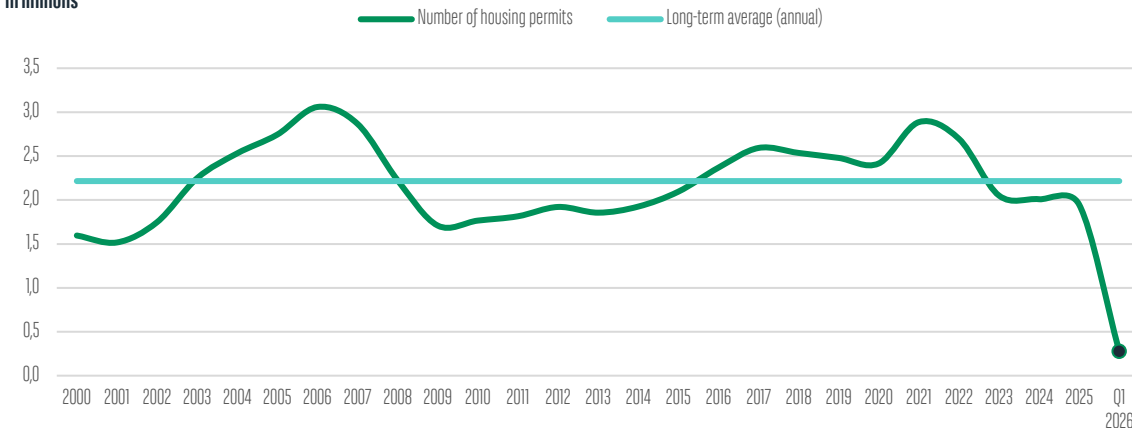
Housing policy is inherently local; short-term rental regulation has developed in fragmented manner, leading to inconsistent approaches. The introduction of the EU's short-term rental regulation scheduled for 20 May 2026 will change this situation by introducing harmonized requirements for short-term rental registration and platform data sharing across all 27 EU member states.



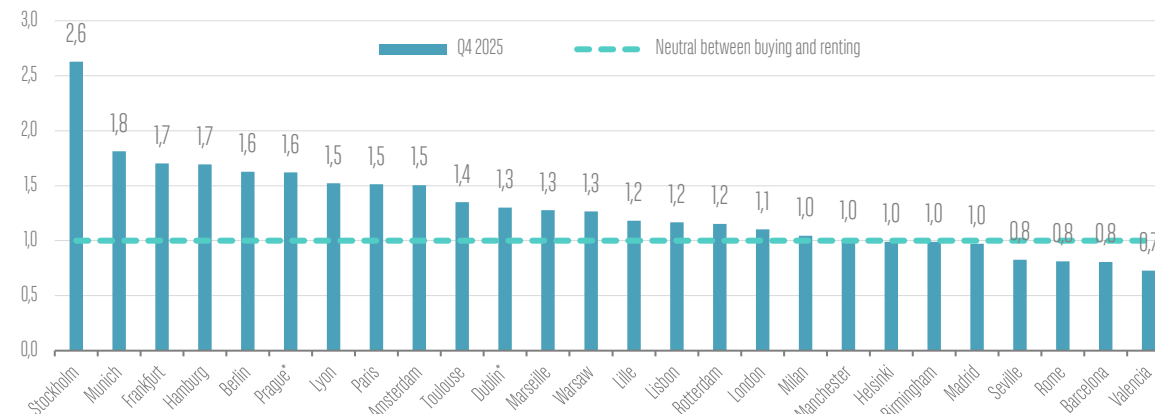
MARKET FUNDAMENTALS

Housing permits in Europe

in millions



Buy vs rent ratio



*Q3 2025 value

Source: BNP Paribas Real Estate Research



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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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