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EUROPE - Q2 2026

RESEARCH & INSIGHTS

BNP PARIBAS REAL ESTATE

Real Estate for a changing world

BNP PARIBAS REAL ESTATE

Executive Summary

In a Nutshell

ECONOMIC OUTLOOK

- The global economy remains resilient, albeit with uneven growth, supported by strong investment in the technology sector. In Europe, this is complemented by increased defence and consumer spending.
- On the inflation front, signals have been mixed. Overall, underlying inflationary pressures have remained limited despite energy price volatility.
- The outlook for interest rates, particularly at the long end of the yield curve, has deteriorated significantly, with many countries testing historical highs in 10-year government bond yields. We expect one 25 bps policy rate hike by the end of 2026.

CAPITAL MARKET REMAINED ON A RESILIENT TRAJECTORY

- So far, the cautious stance by central banks provides limited support to real estate though it does not remove policy uncertainty entirely.
- Slower activity in 2026 seems likely rather than derailing of recovery as investors respond with equal caution. For now, market performance transitioned to a more moderate growth trajectory, maintaining a solid annual rate of 9%.
- The market currently lacks significant systemic drivers; while there are few catalysts to trigger a sharp decline, there is similarly little to stimulate a meaningful expansion.

OFFICE LETTING VOLUMES SLOWED IN H1 2026

- Office letting across the 18 main European markets totalled 3.64 million sqm in H1 2026, representing a 9% 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.

THE LOGISTICS MARKET IS POSTING GOOD RESILIENCE

- Take-up increased by 20% in the leading European markets. The logistics market is showing great resilience maintaining a strong growth momentum in Germany, Poland, Spain and Italy. France and the Netherlands recorded encouraging signs with strong activity in Q2.
- The Middle East crisis and its share of uncertainties has cooled investor confidence. At European level, prime logistics yield increased by 9 bps over last year. 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

- External pressures on commodity prices and international trade may further affect consumer sentiment.
- The sector's recovery as an investment asset throughout 2025 has lost momentum, given the stability observed in the first half of 2026. While shopping centre investment has continued to strengthen over the last 12 months, retail warehousing transactions have become scarcer.
- Nevertheless, retail remains a core segment for investors, with the UK leading the market. This leadership is supported by a resilient demand for prime assets despite the broader economic headwinds.

RESIDENTIAL: GROWING ACTIVITY

- Residential investment volume in Europe reached €27.3bn (+31.6% y/y) in H1 2026, thanks to a greater number of large-scale deals driving up residential volumes.
- The European residential investment market experienced further investment interest from cross-border investors: 47% of real estate investment in Europe are cross-border.
- House prices (4.5%) and rental values (3.4%) increased across the year to Q1 2026. Despite the ongoing regulations in Europe, rental values are still booming in most cities, reaching new record levels.

ECONOMIC OUTLOOK

01.

Global Economy

Looking beyond the war

A RESILIENT, ALBEIT UNEVEN, GLOBAL GROWTH; WITH TECHNOLOGICAL TAILWINDS.

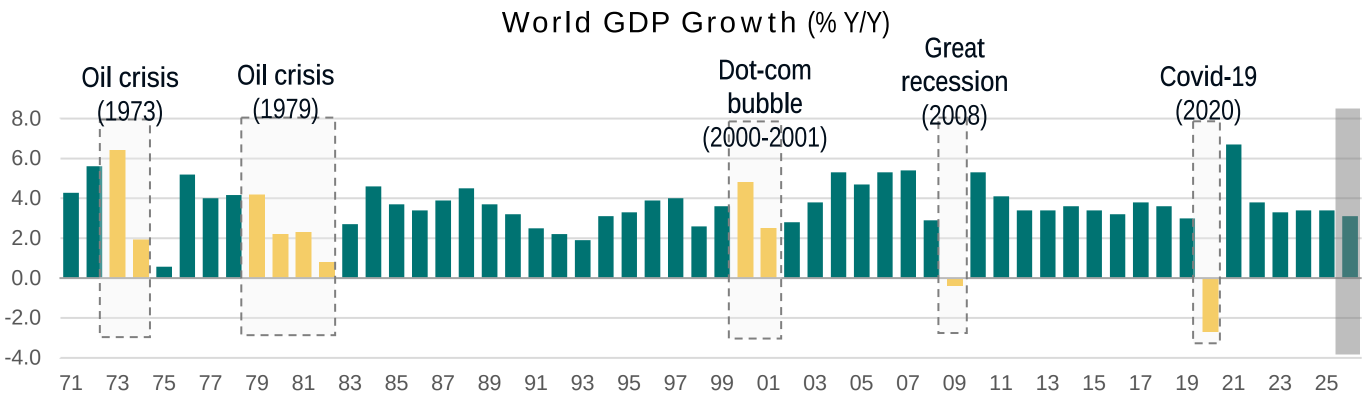
Despite continued uncertainty emanating from the Middle East war, the global economy has remained resolute thus far.

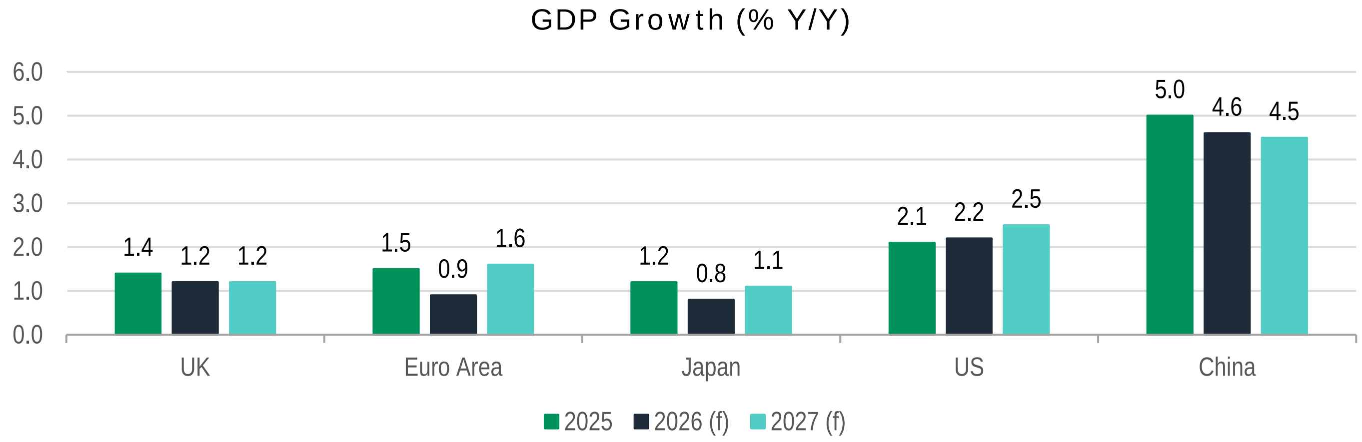
Technological advancement, particularly in AI and defence spending, offers a welcome tailwind to growth. Our expectation is for the world economy to grow by 3.0% and 3.4% in 2026 and 2027, respectively.

Growth in Europe remained firm in the first two quarters of 2026; Q1 (0.5%, q/q) and Q2 (0.4%, q/q). We see the slowdown in consumer spending as a drag on growth in the second half of the year. This will be countered by robust public and private sector investment spending, which will deliver a 0.8% GDP growth for 2026; albeit lower than in the previous year.

In the US, which is less affected by the energy shock, both consumer demand and business investment, particularly in AI-related sectors, remain robust. This is supportive of domestic demand and the economy. It is the only economy where we see higher growth in 2026 vs 2025.

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



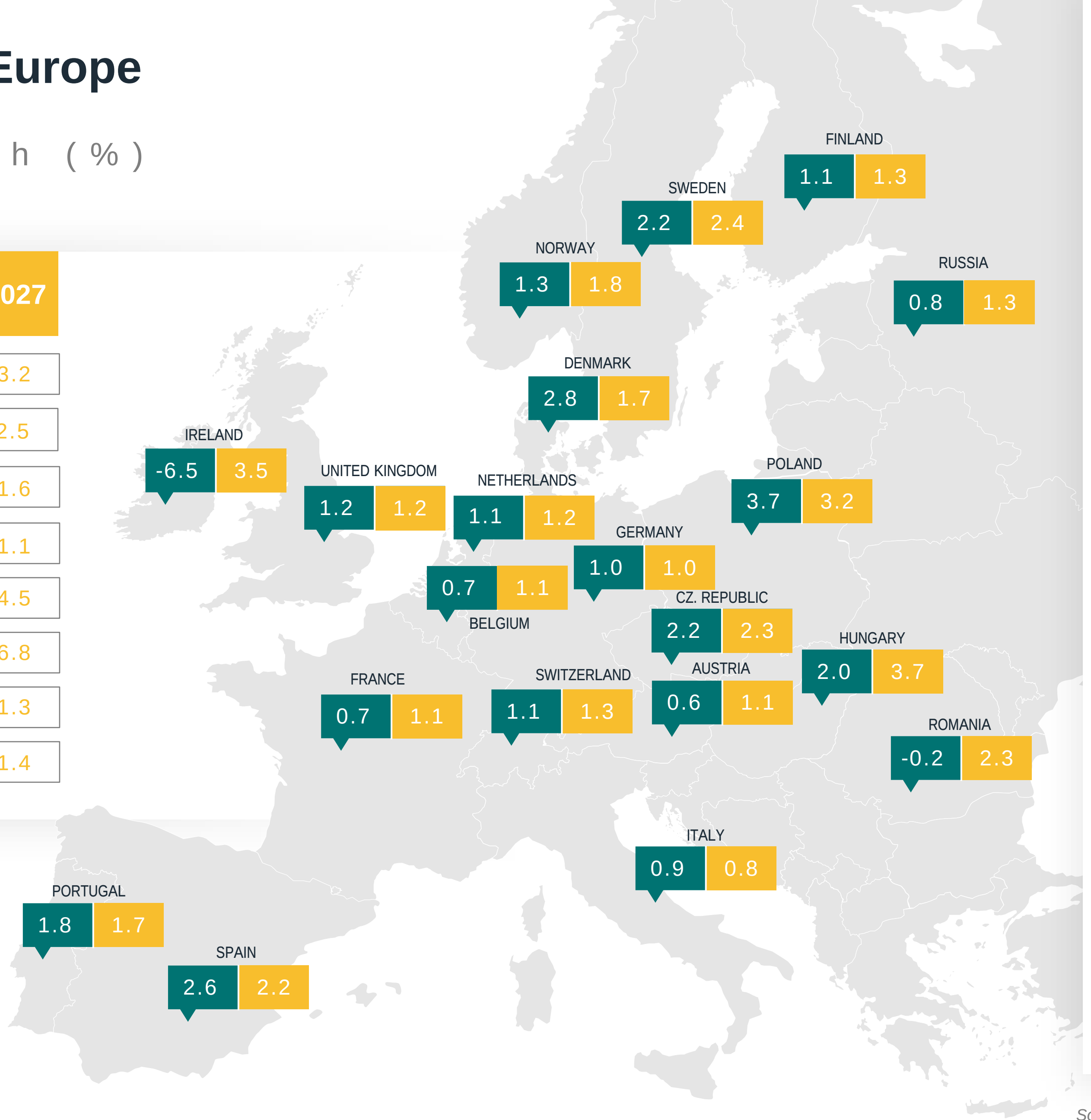


Sources: BNP Paribas Real Estate Research, World Bank, Macrobond

Economic Growth in Europe

Annual GDP growth (%)

	2025	2026	2027
World	3.4	3.1	3.2
United States	2.1	2.2	2.5
Euro area	1.5	0.9	1.6
Japan	1.2	0.8	1.1
China	5.0	4.6	4.5
India	6.5	3.7	6.8
Russia	0.9	0.8	1.3
Brasil	2.3	2.3	1.4



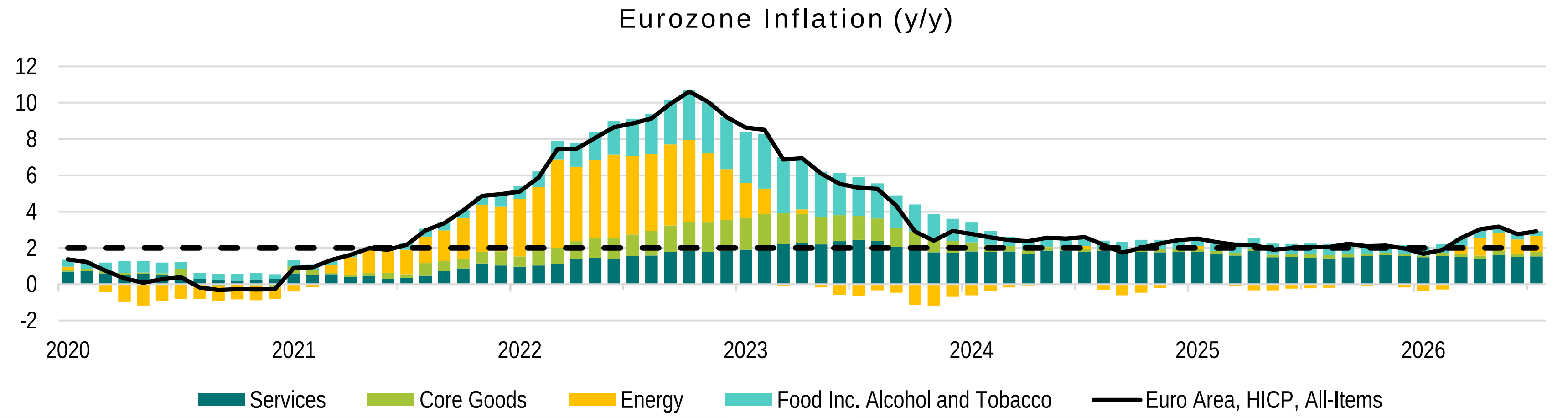
Solid performance of the European economy in H1 2026.

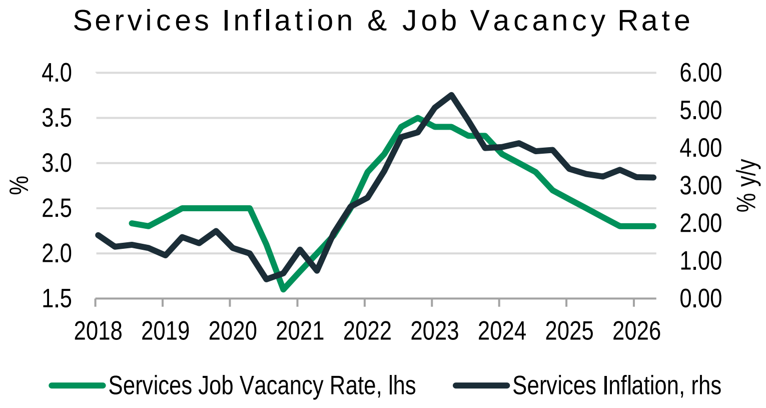
- Eurozone GDP growth would slow in 2026 due to spillovers from the Middle East conflict. In Q1 and Q2 2026, GDP was stable mainly due to the volatility of Ireland's GDP data.
- In 2026, consumer spending would be held back by falling real wages. Activity would nevertheless withstand the energy shock, supported by investment in defence, AI, and electrification, which should continue to boost intra-EU trade
- GDP growth, which reached 1.5% in 2025, would slow down to 0.8% in 2026, before picking up again to 1.6% in 2027.
- At the individual country level, the Southern European countries of Spain (2.6%) and Portugal (+1.8%) show strength in 2026, supported by tourism and consumer spending. There is good growth, surprisingly, in the UK (1.2%), also supported by domestic consumer spending.
- Growth is picking up again in Germany (1.0%), where we expect the increased defence spending to ripple across the wider economy. In France (+0.7%) growth is a little less robust, as the 2027 presidential election looms.

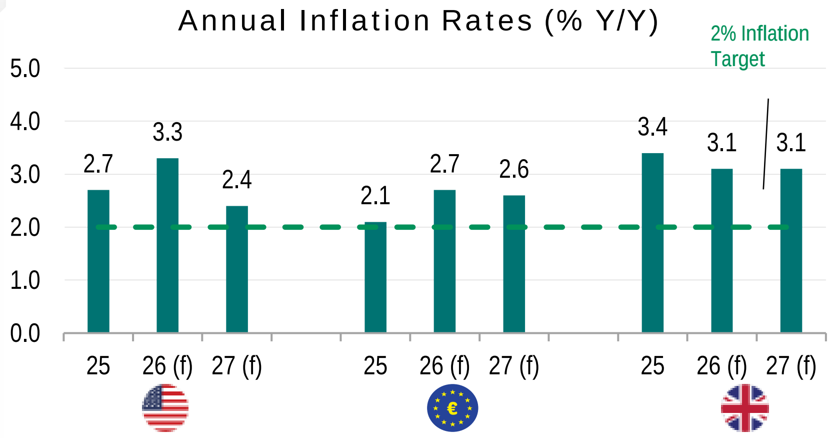
Sources: BNP Paribas Real Estate Research, Oxford Economics, IMF

Inflation rates

Higher for longer







Economic momentum increases the risk of sustained high inflation.

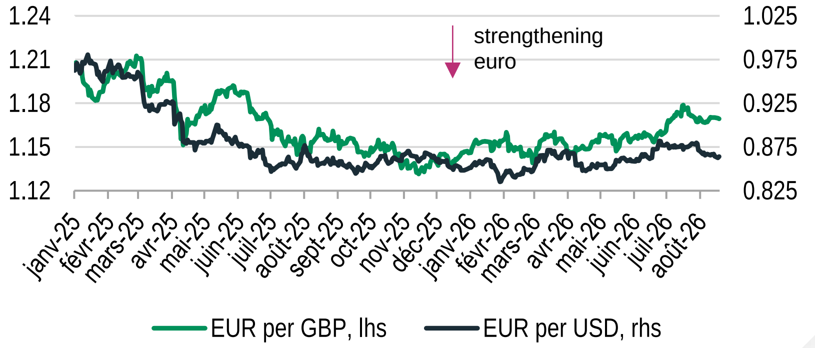
- The resilience of the Eurozone economy increases the likelihood that the energy price shock caused by the conflict in the Middle East will generate a rise in inflationary pressures.
- Indeed, the direct and indirect effects of the shock are already being felt and will likely be extended by the re-escalation and renewed spike in energy prices in recent months.
- Furthermore, July's inflation data has not rung any alarm bells. The rise in headline inflation to 2.9 % from 2.8% in June was in line with expectations, while core inflation trended sideways at an elevated level of 2.5%.
- We don't think policymakers will take much comfort from this, though, even if services inflation continues to trend downwards. Job vacancies have flattened in the last few months, meaning the labour market might have stabilised, removing one barrier stopping rate rises.
- Our expectation is that stronger investment spending will raise core inflation pressures, especially from 2027, thereby keeping inflation relatively elevated despite energy inflation subsiding.
- We see the headline inflation peaking in the UK in 2026, albeit at a lower level than had been anticipated.

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

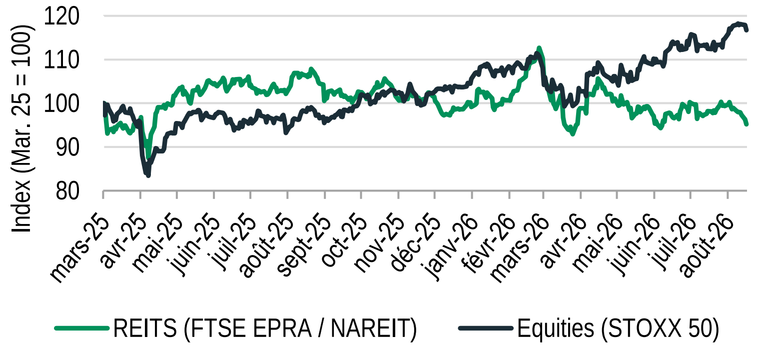
Financial Markets

Economic and financial indicators

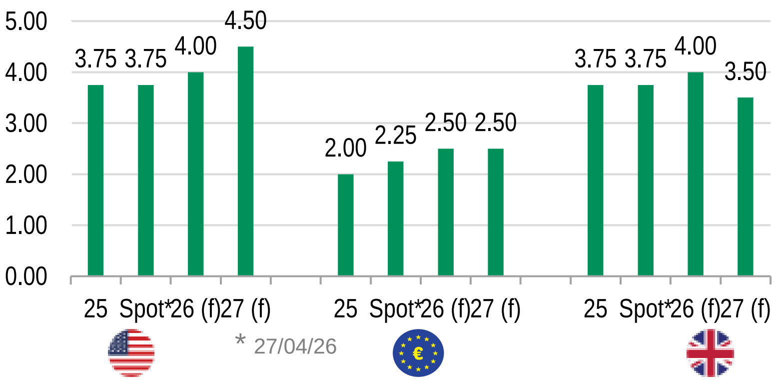
Euro Exchange Rates



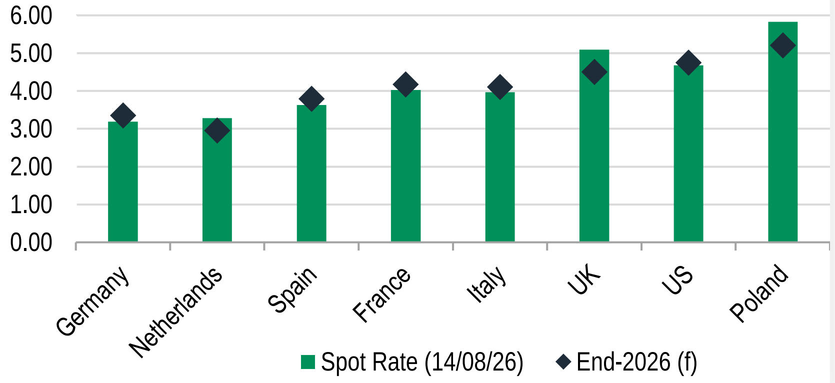
Euro Area REITs & Equities



End-Year Policy Rates (%)



10-Year Government Bond Yields (%)



Less pressure on policy rates, but more pressure on the 10yr yield.

- Against the dollar, the euro now trades at a multi-year high of €1.17 per dollar (as at 18/08/2026). This reflects a broad weakness in the dollar against major currencies, amid shifting safe-haven flows. However, against the pound sterling, it has weakened due expectations of a higher interest rate differential.
- The wider European equity markets have recovered from the lows in March, following the Middle East crisis. However, the European public real estate market continue to underperform in light of higher cost of debt, stable yields, and a lack of activity.
- At their latest meetings, the ECB and BoE both kept their policy rates on hold at 2.25% and 3.75%, respectively. However, during both meetings, more members voted to raise rates. In both meetings, more members voted to raise rates. With inflation expectations remaining high, we expect a 25bps hike in rates in both cases by the end of 2026.
- We generally expect the 10-year government bond yields to go higher and stay at that level over the next 12 months, 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

BNP PARIBAS REAL ESTATE

REAL ESTATE PERSPECTIVES

02.

CAPITAL MARKET

Capital Market in Europe

Capital Market Unpacked

INVESTMENT VOLUME

€187.2bn

Q2 2026
Rolling year

Contrasted dynamics seen across markets

BEST-PERFORMING SECTOR

+17%y/y

Office

Office assets are increasingly back in favour with investors

PRIME YIELDS

4.60% vs Q1 25	4.30% vs Q1 25	5.10% vs Q1 25
Office	**HS Retail**	**Logistics**
Q2 2026	Q2 2026	Q2 2026

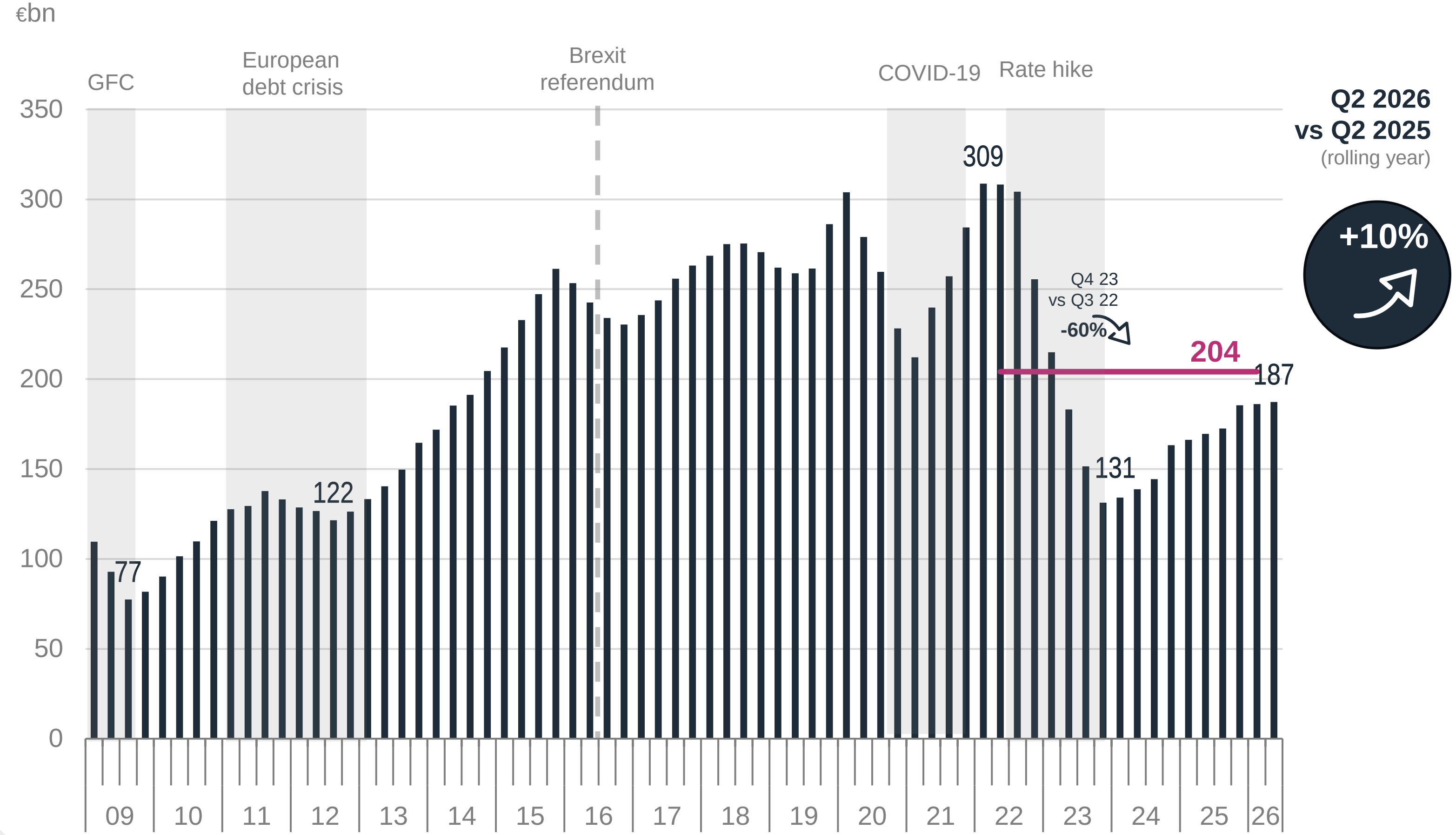
Potential for upward yield movement with renewed inflation

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 June 2026 amounted to just over €187 billion, an increase of 10% year-on-year.
- After a sustained recovery over the past two years, the investment market slowed in the first half year of 2026, reflecting uncertainties related to geopolitical tensions.
- Given the inflationary risk, the previously favourable monetary policy may now pivot towards an upward trend in key rates over the coming months.
- So far, the cautious stance by central banks provides limited support to real estate though it does not remove policy uncertainty entirely.
- Slower activity in 2026 seems likely rather than derailing of recovery as investors respond with equal caution. The market currently lacks significant systemic drivers; while there are few catalysts to trigger a sharp decline, there is similarly little to stimulate a meaningful expansion.
- The current environment therefore favours the income side of real estate rather than capital growth in long-term allocations.
- To that end, increased selectivity among investors is therefore expected, with a more wait-and-see stance and increased attention paid to price adjustments.

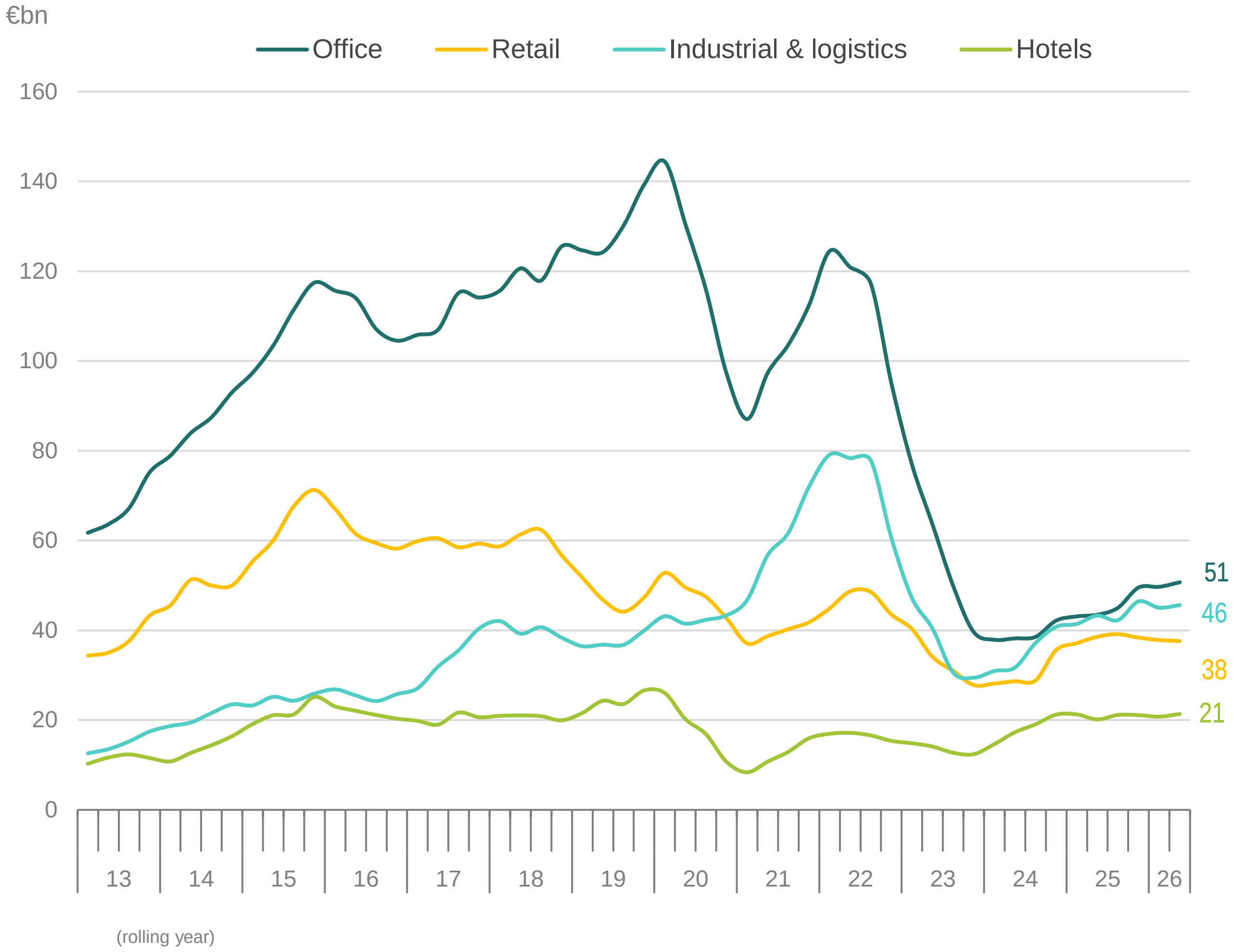
This excludes residential investment.

Source: BNP Paribas Real Estate Research

Investment European Commercial Real Estate

I n v e s t o r s   r o t a t i n g   a c q u i s i t i o n   t a r g e t s

- The uncertain market environment is affecting asset classes in different ways. Opportunity and availability seems to be the consistent factors in purchases. Logistics and offices continue to record year-on-year growth, while retail and hotels show stabilisation in volumes after sharp expansion over 2025.
- Over the last 12 months, office investment volumes have increased by 17% compared to Q2 2025. From a geographical perspective, two distinct patterns emerge.
- First, big markets—specifically France, the UK, and Germany—saw strong performance throughout 2025, ending the year at 22% growth collectively, before softening slightly in Q2 2026 (+13% y.o.y). Other markets such as the Netherlands (76%) and Spain (82%) have gained significant momentum, posting remarkable growth rates. Both markets held a similar size with the investment volume amounting to just under €3bn.
- For about a year, offices and logistics were in tight competition for investment volume. Activity slowed considerably in the logistics segment producing an annual growth of 5%. Unlike offices, the sector's operations are more susceptible to Middle Eastern issues.
- Retail is stabilising after performing well in 2025 thanks to investor targeting of supermarkets and shopping centres.
- The hotel industry demonstrated robustness, with around €21 billion invested over the last twelve months, around 18% higher than the 5-year average. Hotels are a steady performer in investment volumes having been consistent since the end of 2024.
- Alternative assets continued to grow, with an increase of 33% year-on-year, mainly driven by the United Kingdom (44% and Italy (103%).



Q2 2026
vs Q2 2025
(rolling year)

+17%

+5%

-2%

+6%

Alternative assets* vary across Europe reflecting country-specific categorizations

This excludes residential investment.

Source: BNP Paribas Real Estate Research

European Property Investment

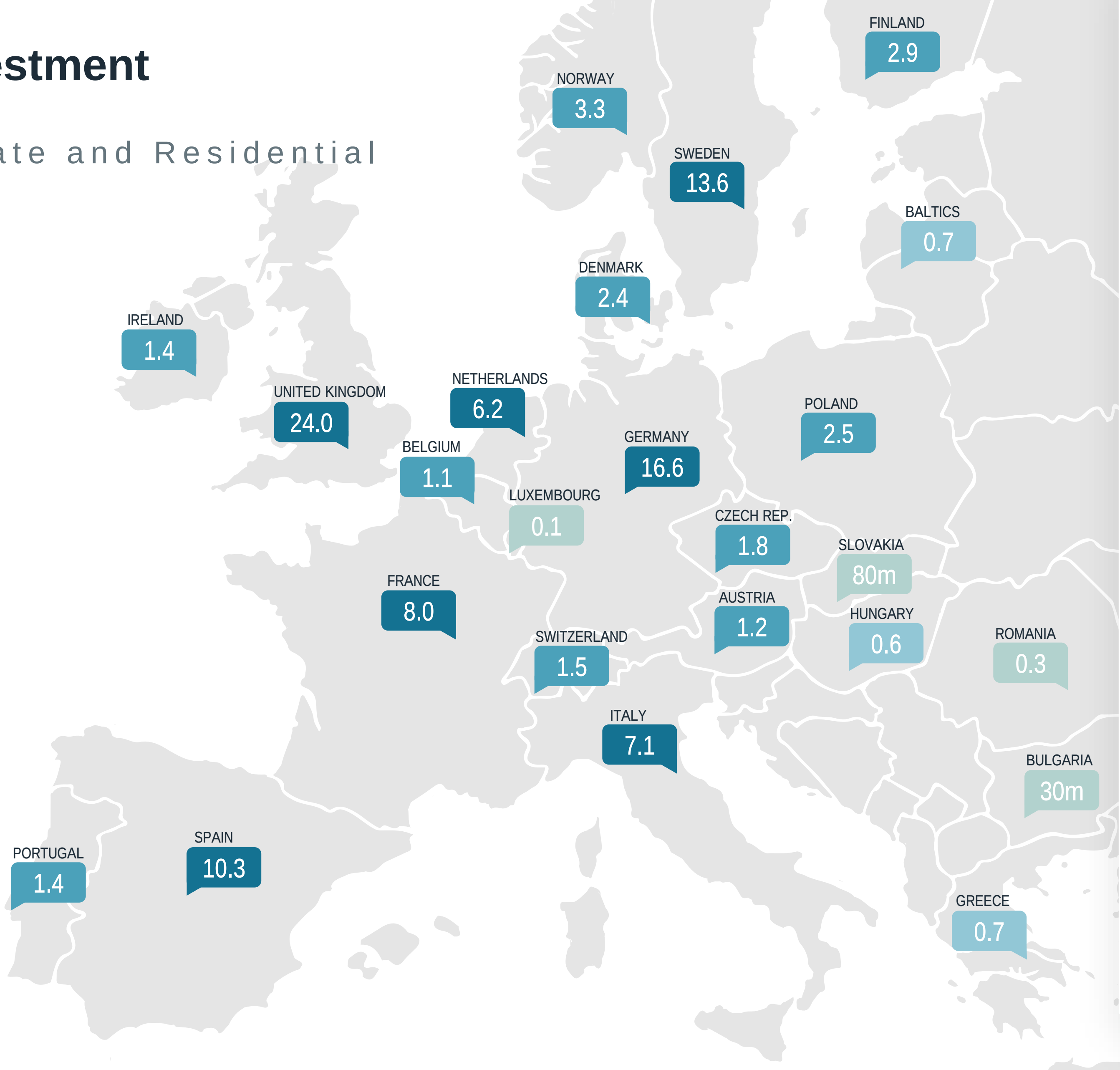
Commercial Real Estate and Residential

H1 2026 vs H1 2025

UNITED KINGDOM	-14%
GERMANY	+5%
FRANCE	-14%
SWEDEN	+93%
NETHERLANDS	+44%
SPAIN	+36%
ITALY	+24%
NORWAY	-9%
POLAND	+43%
BELGIUM	-23%
DENMARK	-49%
FINLAND	+35%
IRELAND	+55%
AUSTRIA	→
LUXEMBOURG	-81%

Investment volume

- ≥ €5bn
- €1 - 5bn
- €500- 1bn
- < €500m



EUROPE – H1 2026

€109.9bn

+8% vs H1 2025

- **Including the residential sector, European property investment volume was €109.9bn, up 8% compared to H1 2025.**
- Despite the ongoing landscape, the residential market remained positive this quarter, driven by a strategic shift toward more stable assets to mitigate the cyclical risks found in offices and retail.
- Moreover, the strong supply shortage in the residential occupier market enhances the sector's appeal for investors, as rents keep growing.
- Most countries recorded a strong growth this year especially in Sweden (93%) or the Netherlands (+44%).

Source: BNP Paribas Real Estate Research

Commercial Real Estate Investment

Resilience in Focus: Holding the Line

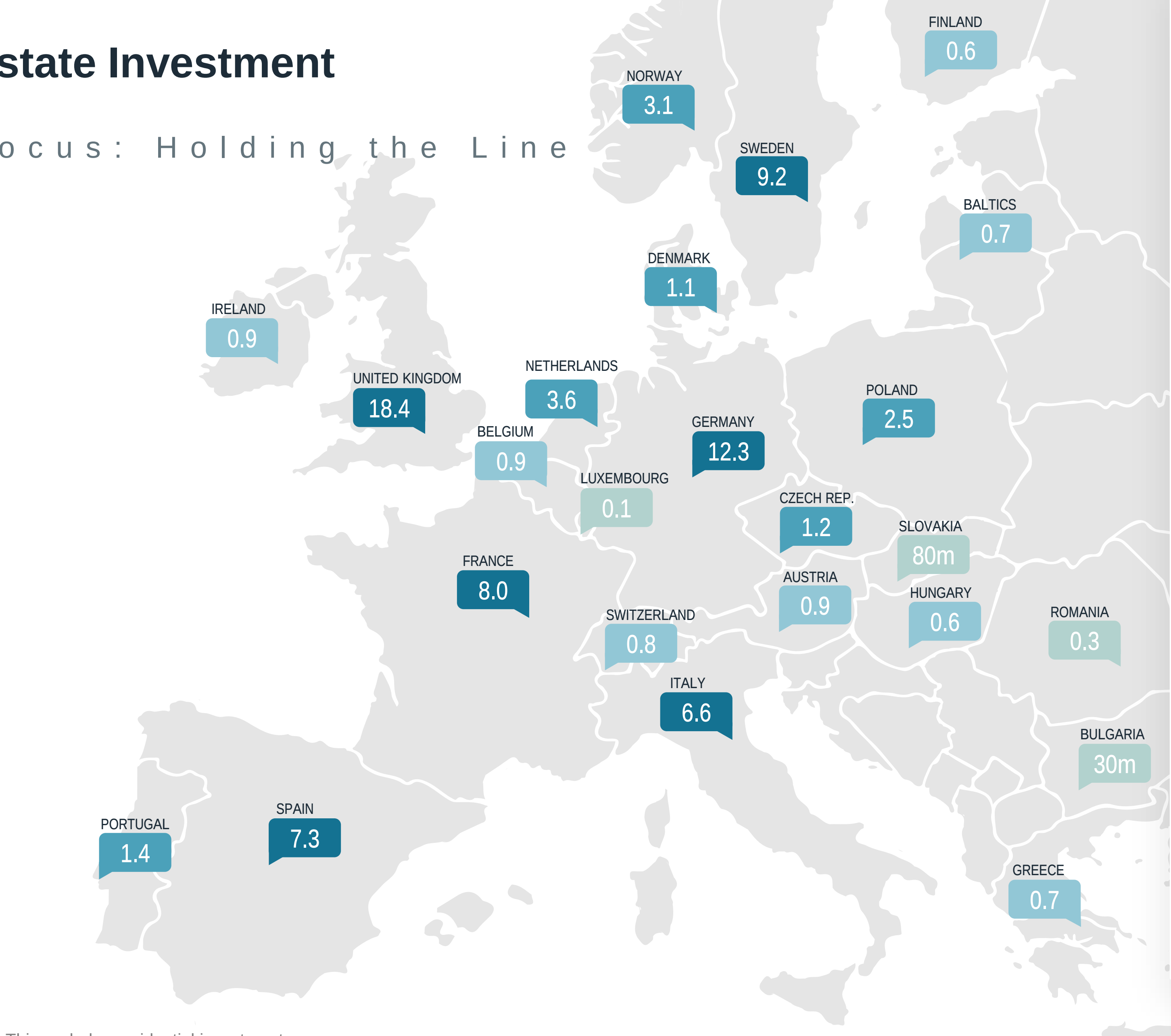
H1 2026 vs H1 2025

UNITED KINGDOM	-22%	↘
GERMANY	+8%	↗
FRANCE	+11%	↗
SWEDEN	+81%	↗
NETHERLANDS	+19%	↗
SPAIN	+16%	↗
ITALY	+26%	↗
NORWAY		→
POLAND	+58%	↗
BELGIUM	-34%	↘
DENMARK	-51%	↘
FINLAND	-8%	↘
IRELAND	+4%	↗
AUSTRIA	+46%	↗
LUXEMBOURG	-80%	↘

Investment volume

≥ €5bn €1 - 5bn

€400 - 1bn < €400m



This excludes residential investment.

EUROPE – H1 2026

€82.5bn

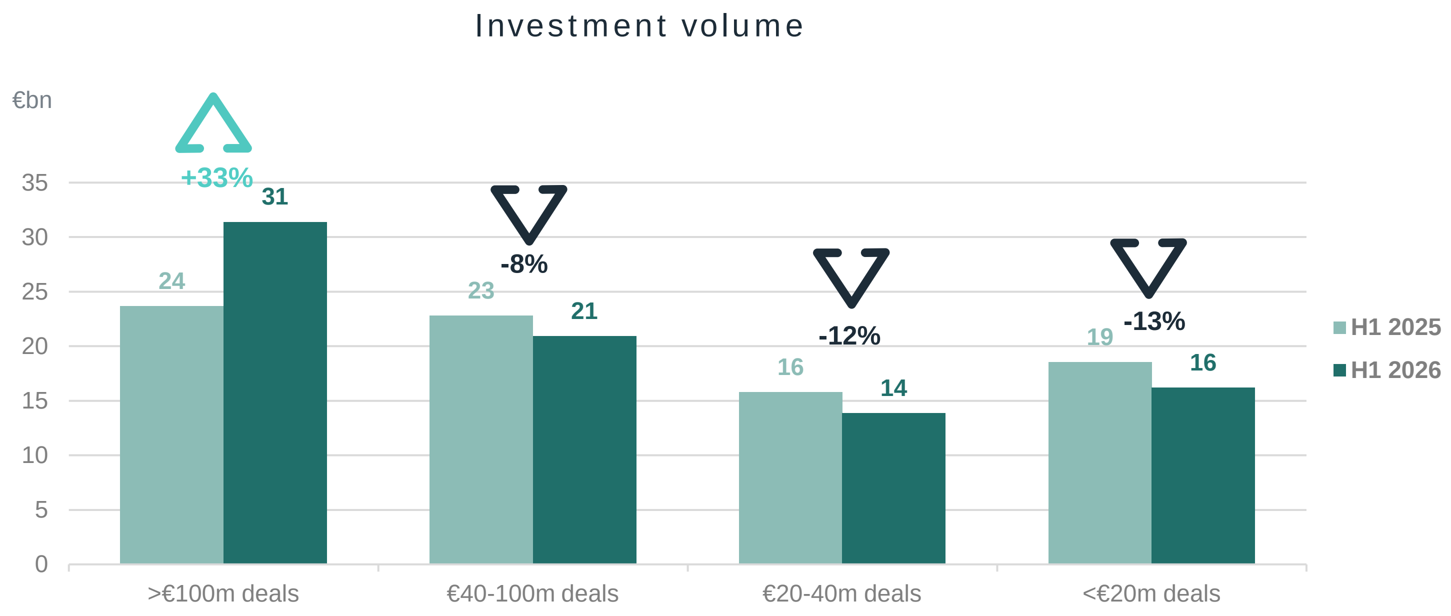
+2% vs H1 2025

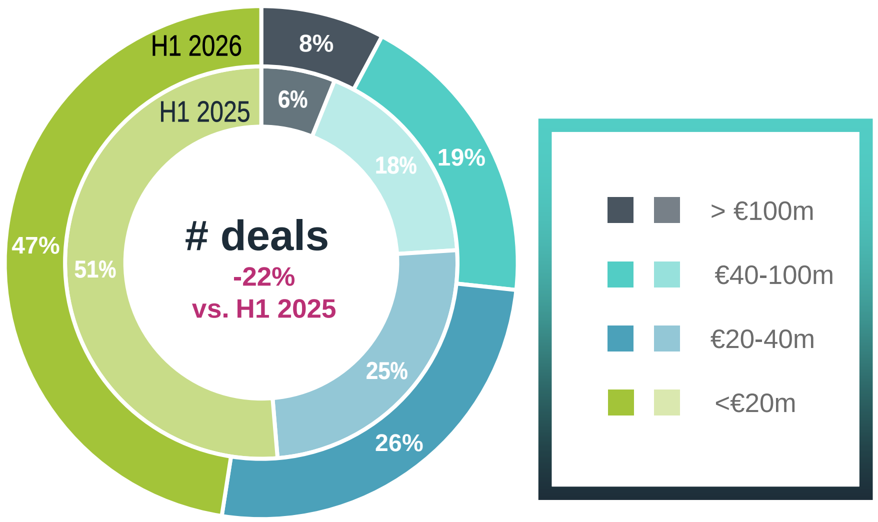
- Commercial real estate transactions continue to take place, demonstrating the market's ability to withstand current pressures.
- The United Kingdom, as well as several other countries, recorded a notable decline, illustrating earlier sensitiveness to the economic backdrop.
- French and German market held ground despite headwinds, although market sentiment remains quite cautious.
- Poland showed strong activity since late 2025, now up 58% year-on-year.
- Spain has continued to stand out for several years, with a volume exceeding €7 billion, supported by a strong acceleration in office and hotel sectors.

Source: BNP Paribas Real Estate Research

Investment in European Commercial Real Estate

Fewer but larger deals support the market





- In 2025, easier financing conditions supported market activity, with total volume growth concentrated in high-value deals, which are holding up well this half year, despite liquidity being currently threatened.
- The market is heading towards some significant polarization between large and small deals. The total volume remains supported by the resilience of high-ticket transactions, as investors prioritize the security and liquidity of prime assets to hedge against macroeconomic uncertainty and rising borrowing costs.
- Yet, the total number of transactions dropped by -22%. That volume did not decline because of the increase in large transaction deal sizes (+30% rise for >€100m).
- Smaller scale deals below €20m now post under 50% market share in number, illustrating a stronger decline than the rest of lot sizes.

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

Source: BNP Paribas Real Estate Research

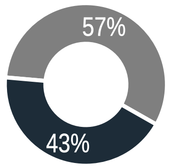
Cross-border Investment in Europe – H1 2026

European investors are the most active

- Domestic investment (+2% rise in volumes) dominated the market in H1 with a 57% market share, a level close to that seen over the last three years. Domestic investors were the strongest in Norway (96%), Sweden (86%) and the United Kingdom (62%).
- Within foreign investment, European cross-border volume reached around €15.9bn forming around 45% of the volume. It mostly concentrated the United Kingdom, benefiting from a +39% y-o-y rise in volume. Other countries gaining from cross-border European investment included Spain (+58%), Italy (+109%) and the Netherlands (+41%).
- With a third of the foreign market share, American buyers remain on the track, especially in Q2 with close to €7bn spent, of which €3bn was allocated in France.
- Buyers from the APAC region expressed a growing interest in Europe in 2025, which has decelerated this half year (-35%).
- After a retreat earlier in the year, Middle-Eastern buyers came back with the High-Street flagship purchase in Via Monte Napoleone, Milan.
- The divergence in market dynamics reflects 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.

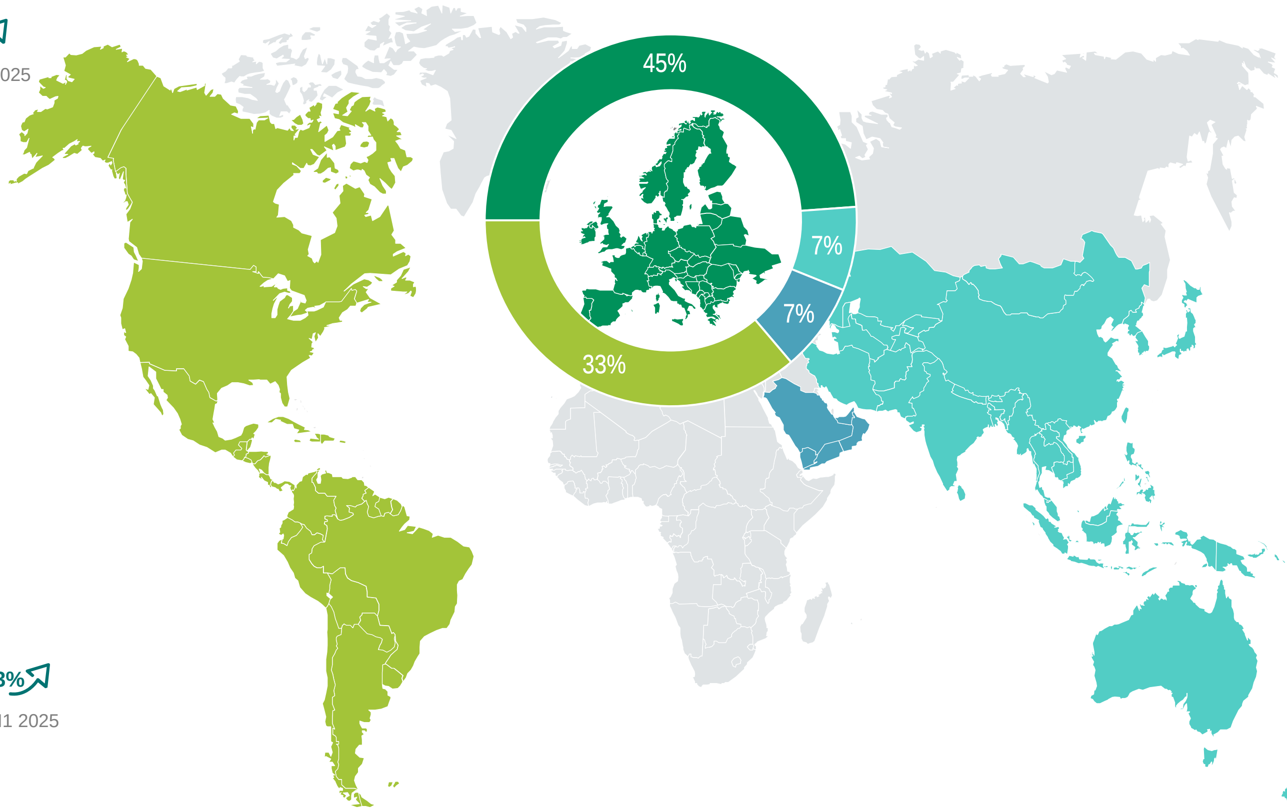
€46.9bn +2% Vs H1 2025

DOMESTIC INVESTMENT



CROSS-BORDER INVESTMENT

€35.6bn +3% vs H1 2025



EUROPE €15.9BN +12% vs H1 2025

AMERICAS €11.8BN -1% vs H1 2025

ASIA PACIFIC €2.4BN -35% vs H1 2025

MIDDLE EAST €2.5BN +35% vs H1 2025

This excludes residential investment.

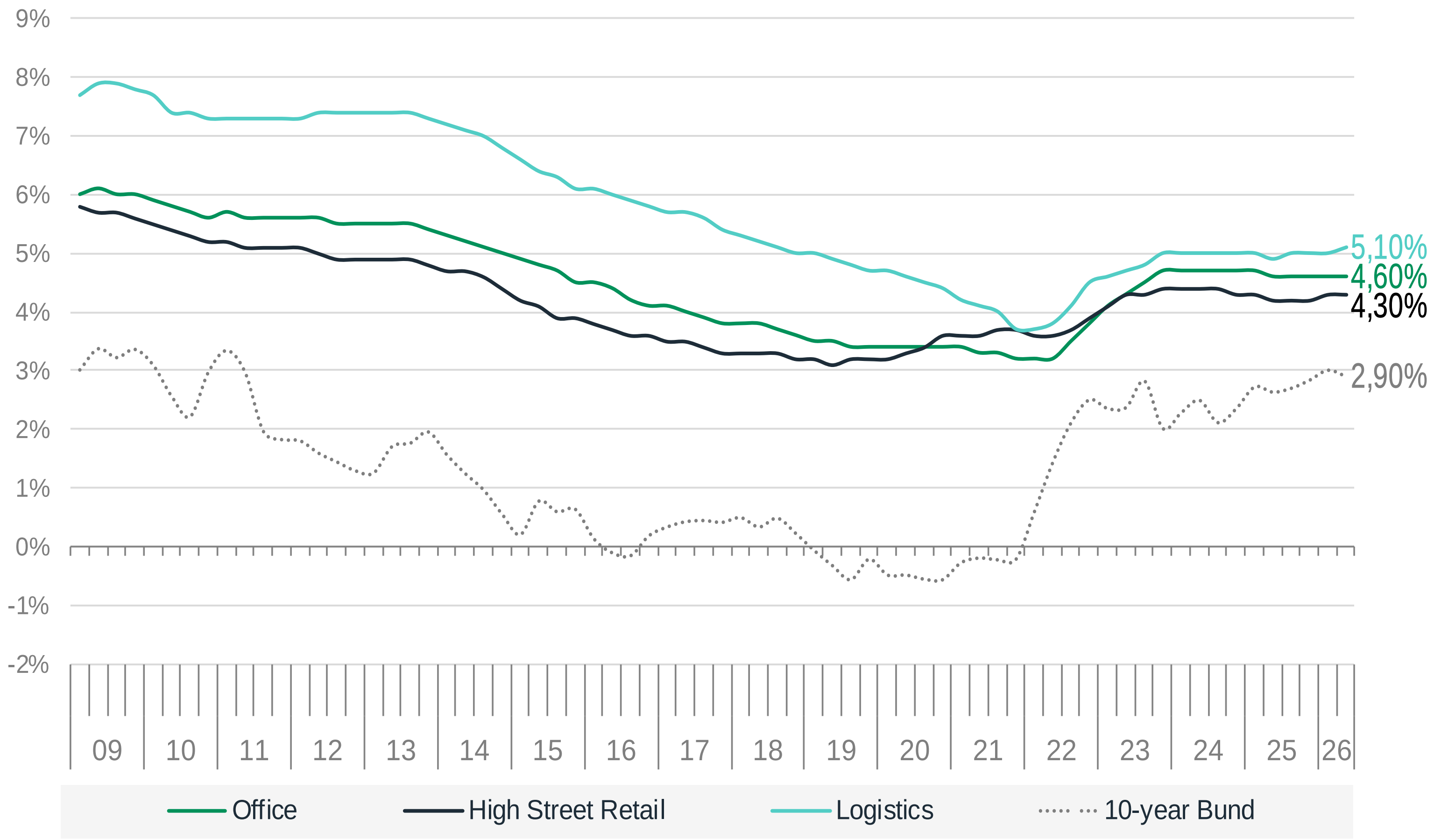
Source: BNP Paribas Real Estate Research

Average Prime Yields in Europe

Potential for upward yield movement with renewed inflation

- Renewed inflationary pressure has triggered volatility in government bond yields, reducing visibility on the pathway for property yields.
- 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 a changed inflationary outlook that the Iran war created. At present, only the ECB has increased its rate by 25bps in June. Caution reflects are awareness that much of the risk comes from volatile energy costs.
- 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 broadly stable compared with the end of 2025, although some yield decompression has been observed across the main asset classes in France and Germany.
- 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%), Spanish and German cities with yields below 4.00%.
- The lowest logistics market is also in Germany, with 4.60% 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

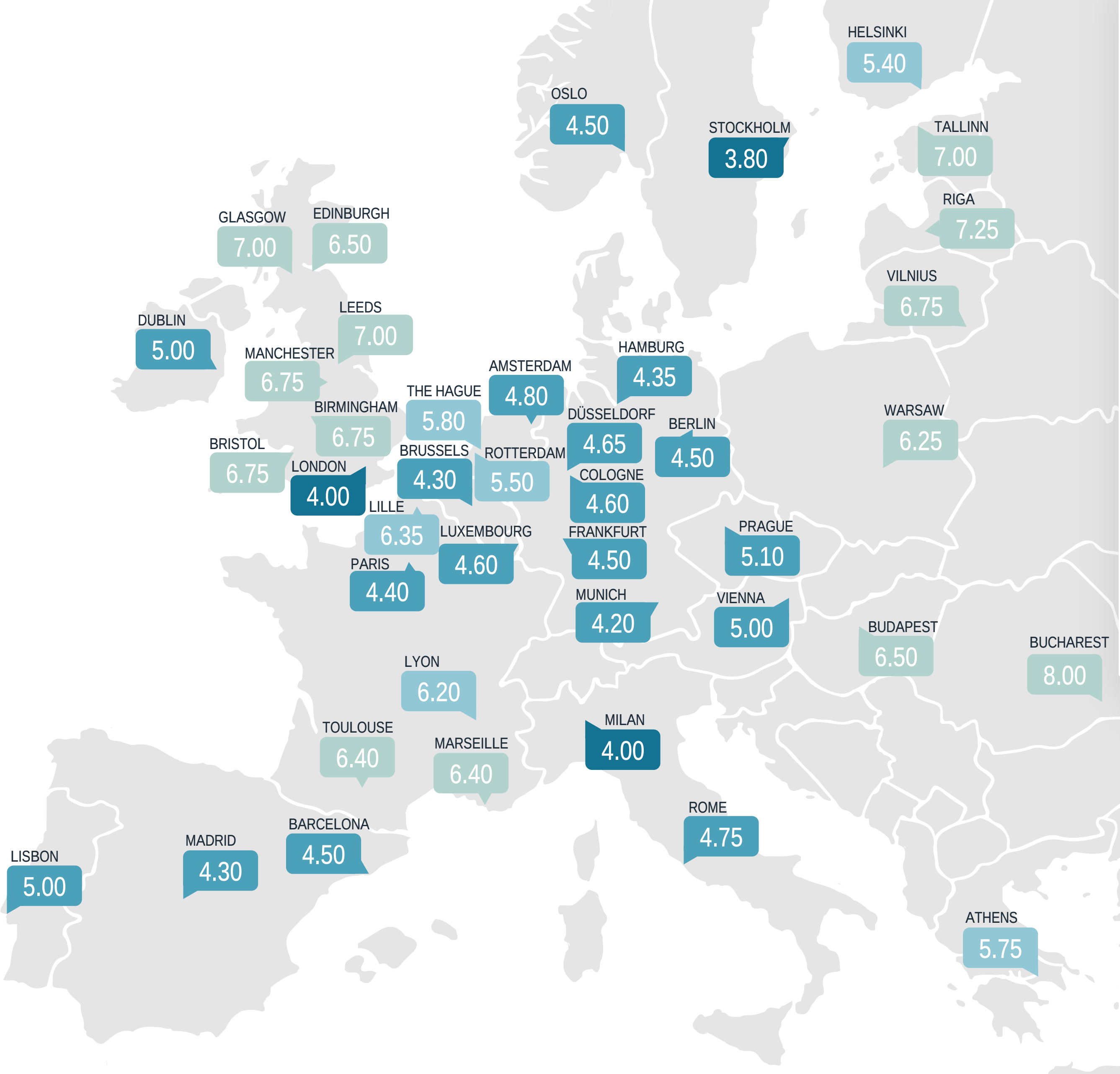
Stability for now

Q2 2026 vs Q2 2025

PARIS	+50bps ↗	
LONDON	→	
BERLIN	+25bps ↗	
STOCKHOLM	-15bps ↘	
MUNICH	→	
MILAN	→	
OSLO	→	
MADRID	→	
BRUSSELS	-40bps ↘	
DUBLIN	→	
AMSTERDAM	-20bps ↘	
BARCELONA	→	
LUXEMBOURG	→	
WARSAW	→	

Prime yield

≤ 4% | 4-5% | 5-6% | 6-8%



- 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.
- Selective yield compression has occurred since 2024, and it is now noticeable on a yearly basis in many cities.
- However, the current macro landscape has reintroduced some signs of outward pressure in French and German cities.
- London and Milan post the prime yields of the market at 4.00% for more than a year now.

Source: BNP Paribas Real Estate Research

OFFICE MARKET

Office Markets in Europe

Flight to Quality by Tenants

TAKE-UP

-9%

vs. H1 2025

Demand for office space in Europe softened in H1 2026, reflecting a slowdown in large-scale deals.

PRIME RENTS

Main markets

+6.2%

vs. Q2 2025

Scarcity of quality units in central locations continues to grow rents

NET AVERAGE RENTS

Main markets

+1.0%

vs. Q2 2025

Incentives are intensifying in markets with weak take-up

VACANCY RATE

9.7%

Q2 2026

+30 bps

vs. Q2 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

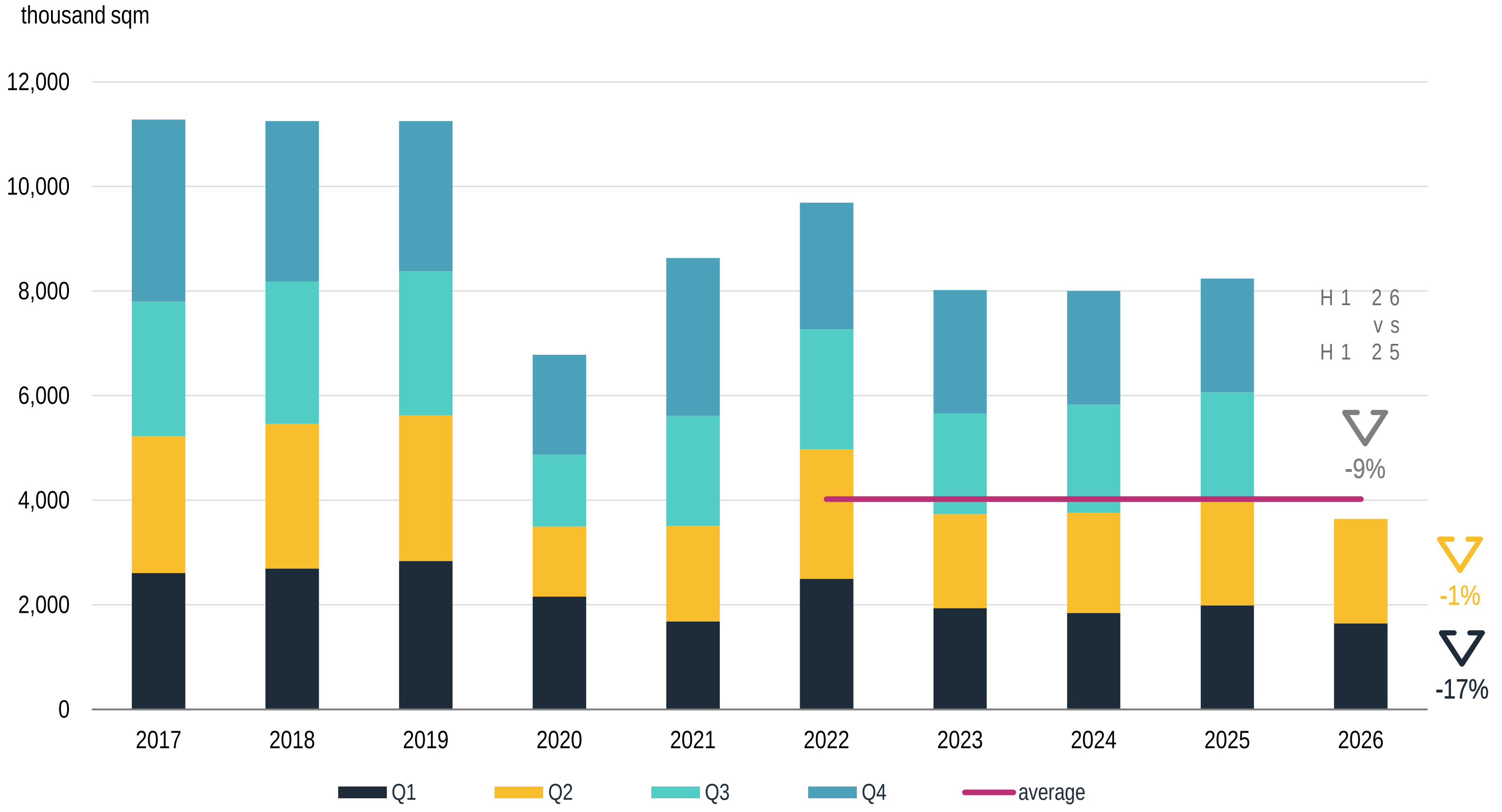
Source: BNP Paribas Real Estate Research

Office Take-up in Europe

Letting volumes slowed in H1 2026

- European office take-up totalled 3.64 million sqm in H1 2026, down 9% year-on-year and 9% below the five-year average, reflecting a slowdown in large-scale leasing transactions.
- Occupier activity remains cautious amid ongoing economic and financial uncertainty, with demand increasingly focused on smaller, high-quality office space.
- Major European office markets continue to face headwinds. Take-up declined in both Central Paris (-13%) and Central London (-7%), while the German Big 6 recorded a combined 3% decrease, despite varying performances across individual cities.
- Elsewhere in Europe, leasing activity showed a mixed picture. Amsterdam (-52%), Milan and Madrid (-29%) recorded sharp declines, while stronger performances were observed in Barcelona (+24%), Warsaw (+25%), Brussels (+12%), Rome (+11%) and Dublin (+5%), highlighting an uneven performance across markets.

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 H1 2026

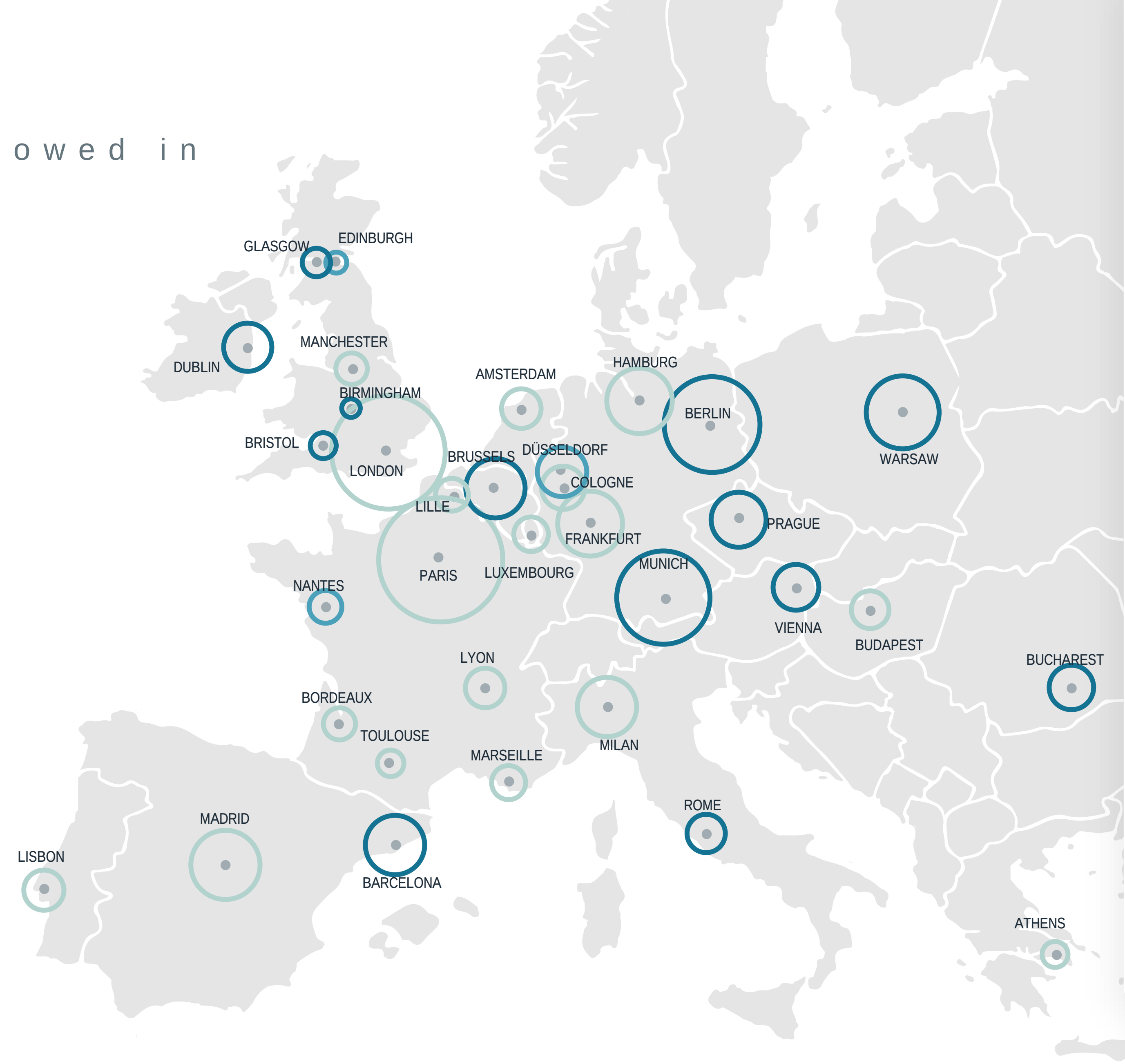
H1 2026 vs H1 2025

CENTRAL LONDON	--7%	↘
BERLIN	+51%	↗
CENTRAL PARIS	-13%	↘
AMSTERDAM	-52%	↘
MADRID	-29%	↘
MILAN	-29%	↘
WARSAW	+25%	↗
BRUSSELS	+12%	↗
DUBLIN	+5%	↗
LUXEMBOURG	-54%	↘
VIENNA	+11%	↗
FRANKFURT	-53%	↘
BARCELONA	+35%	↗

Deals in thousand sqm

100
50
25

> 5%
0 - +5%
-5 -0%
< -5%



EUROPE – H1 2026

4.3m sqm 34 Markets

-11% vs H1 2025

Contrasting Occupier Market Dynamics

- Berlin led Germany's major office markets in H1 2026 with 373,000 sqm of take-up (+51% year-on-year), driven by several large transactions, including two major public-sector owner-occupier deals. Munich followed closely with 354,000 sqm (+38%), supported by four major leases.
- Central London take-up reached 531,000 sqm in H1 2026 (-7%). The main highlight was the recovery of the West End, where take-up increased by 39% year-on-year after a subdued 2025, signaling renewed occupier demand in one of London's prime office markets.
- Paris office leasing activity (-13%) remained uneven, as large transactions declined despite signs of improvement, while take-up of space below 5,000 sqm held broadly steady year-on-year.

Source: BNP Paribas Real Estate Research

Office Vacancy Rate

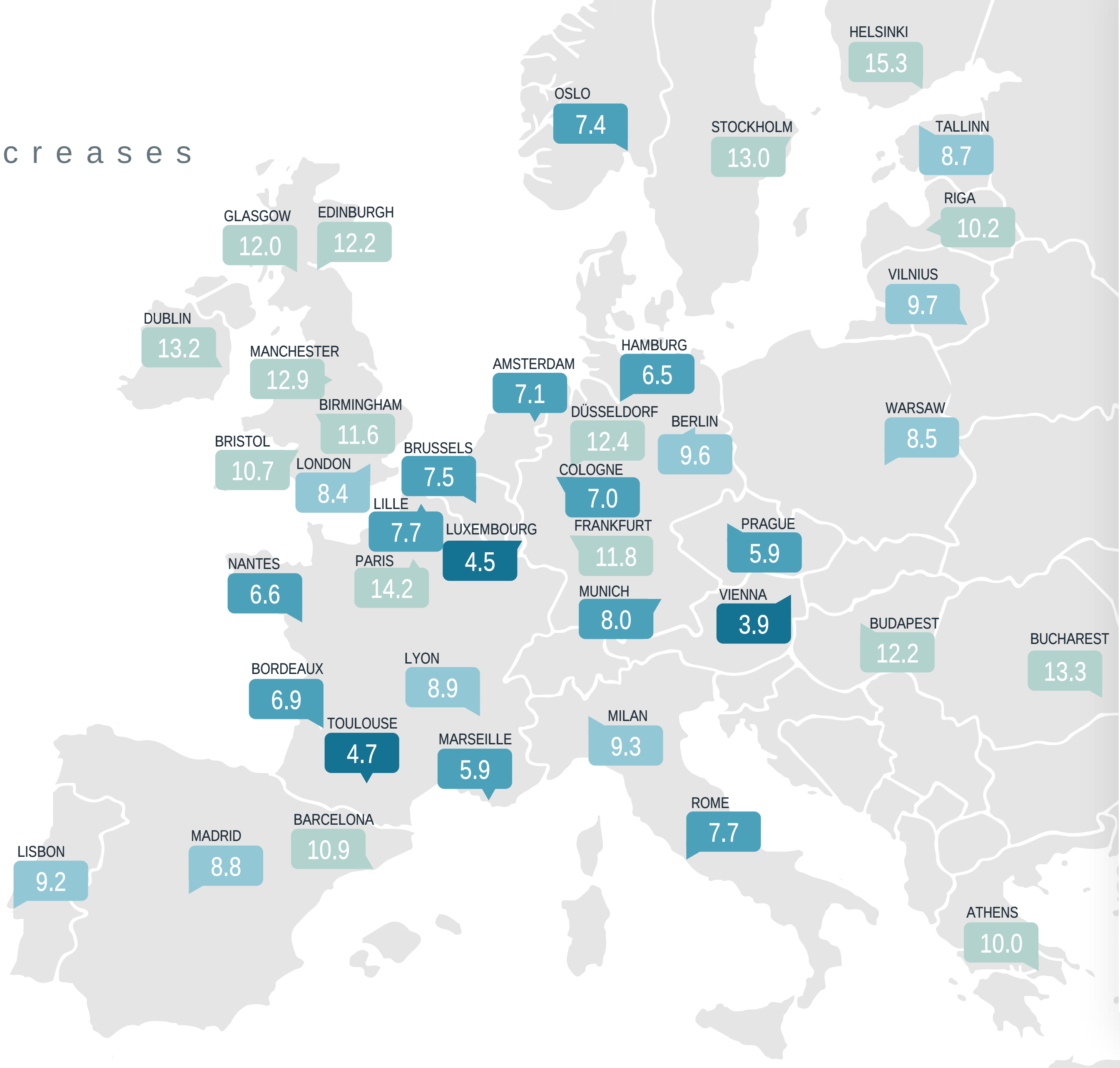
Available Space Increases

Q2 2026 vs Q2 2025

CENTRAL LONDON	-60bps
BERLIN	+170bps
CENTRAL PARIS	+100bps
AMSTERDAM	+60bps
MADRID	-50bps
MILAN	-30bps
WARSAW	-230bps
BRUSSELS	-40bps
DUBLIN	-180bps
LUXEMBOURG	+20bps
VIENNA	+40bps
FRANKFURT	+60bps
BARCELONA	-60bps
STOCKHOLM	+150bps
HELSINKI	+60bps

Vacancy Rate

< 5% | 5-8% | 8-10% | ≥ 10%



EUROPE – Q2 2026

9.7% + 30bp vs Q2 2025

34 Markets

- Despite a limited development pipeline, vacancy continues to rise as increasing volumes of second-hand space are being released onto the market.
- The increase in vacancy is being partially mitigated by the growing trend of office-to-residential and office-to-hotel conversions across Europe. However, these conversions have not yet reached a scale sufficient to offset the ongoing release of surplus or ageing office space that remains difficult to re-let.
- Net absorption across the 17 major markets continues to improve, resulting in approximately 1.5 million sqm of additional occupied space over the past 12 months. Supported by strong take-up activity, Dublin and Barcelona recorded the strongest gains, with occupied stock increasing by 5.6% and 2.9%, respectively.

Source: BNP Paribas Real Estate Research

Office Prime Rents

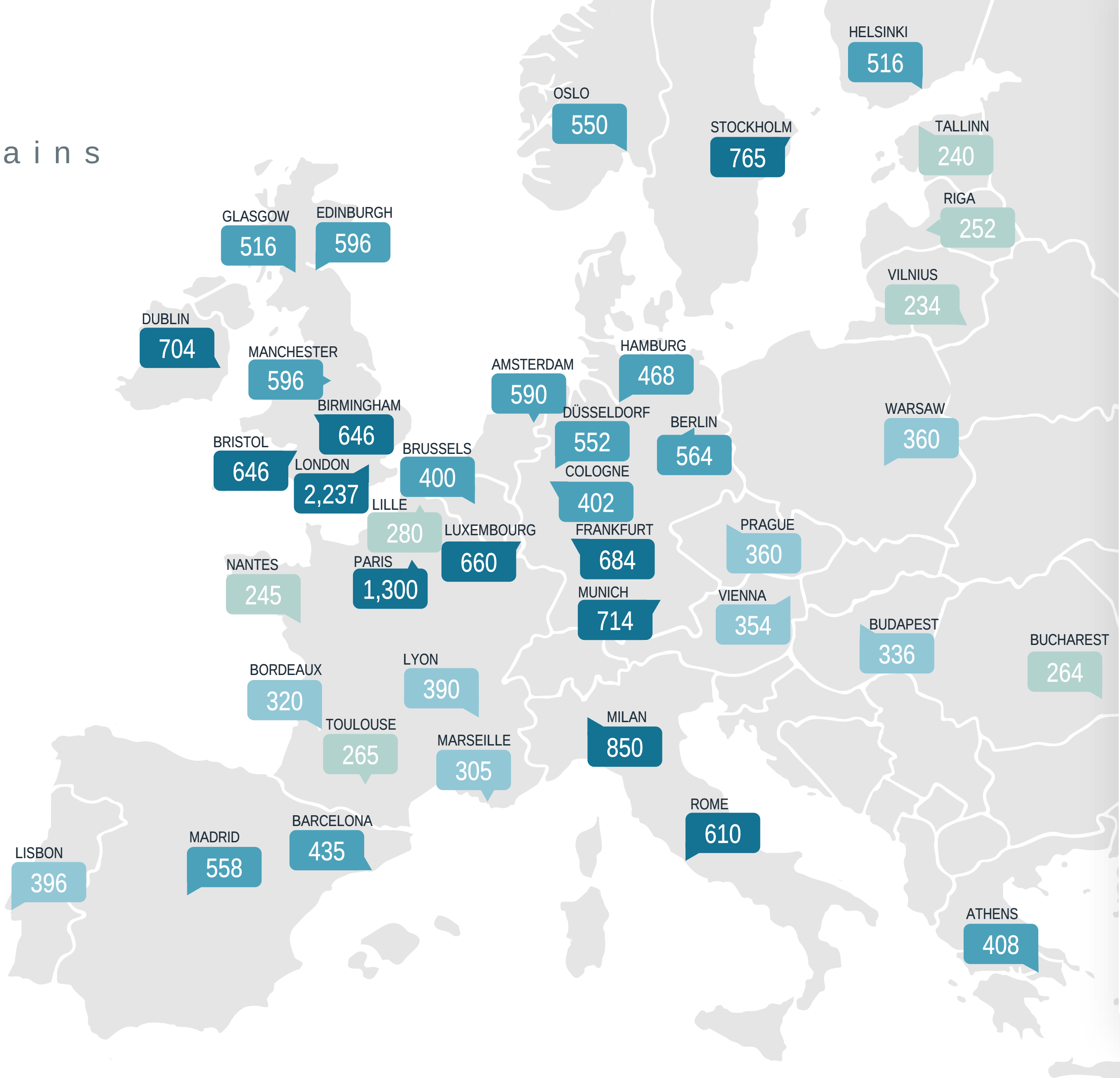
Rental Growth Remains Strong

Q2 2026 vs Q2 2025

CENTRAL LONDON	+6%
BERLIN	+2%
CENTRAL PARIS	+8%
AMSTERDAM	+4%
MADRID	+7%
MILAN	+13%
WARSAW	+2%
BRUSSELS	=
DUBLIN	+1%
LUXEMBOURG	=
VIENNA	+4%
FRANKFURT	+2%
BARCELONA	+23%

Rents (€/sqm/year)

≥ €600 | €400-600 | €300-400 | < €300



EUROPE – Q2 2026

+5.0% vs Q2 2025

39 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 in particular with strong rental recorded in Barcelona (+23%), Milan (+13%), Madrid (+7%), and Rome (+6%).
- 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

Good resilience of the logistics market

H1 2026

TAKE-UP*

+20%

vs. H1 2025

Strong growth momentum in Germany, Poland, Spain and Italy. France and the Netherlands showed encouraging signs with strong activity in Q2.

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

PRIME RENTS

+3.3% over 1 year

+1% Last quarter

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

INVESTMENT

-4%

vs. H1 2025

The Middle East crisis disrupted the good momentum recorded in 2025

PRIME YIELDS

+136 bps Since Q1 2022

+9bps over 1 year

Some price adjustments reflecting higher long-term government bond yields

Source: BNP Paribas Real Estate Research

Logistics Occupier Market in Europe

Strong momentum in H1 2026

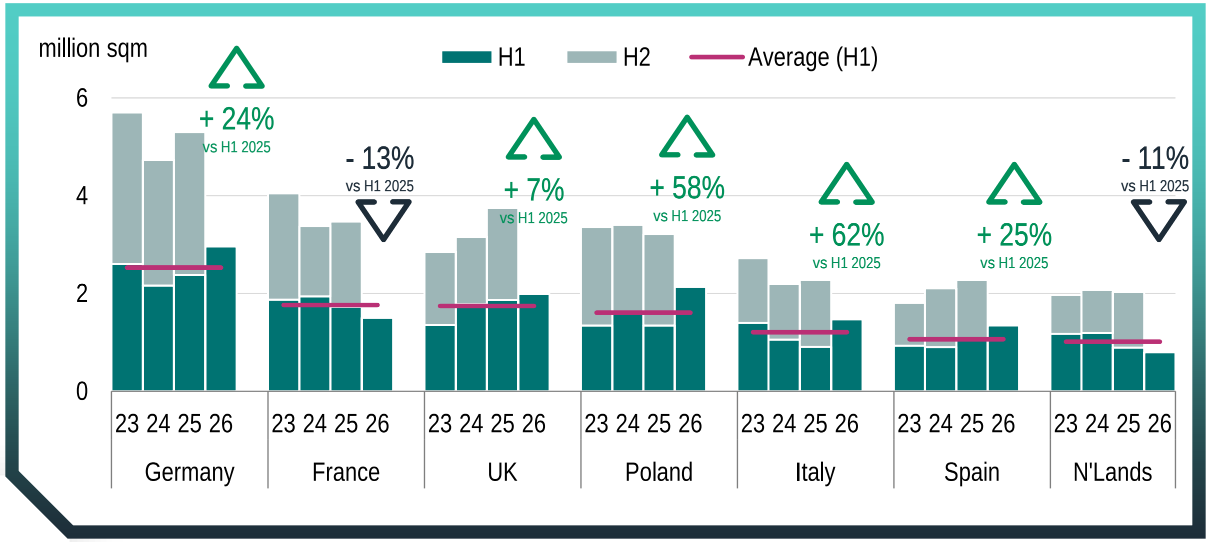
+20%
vs. H1 2025

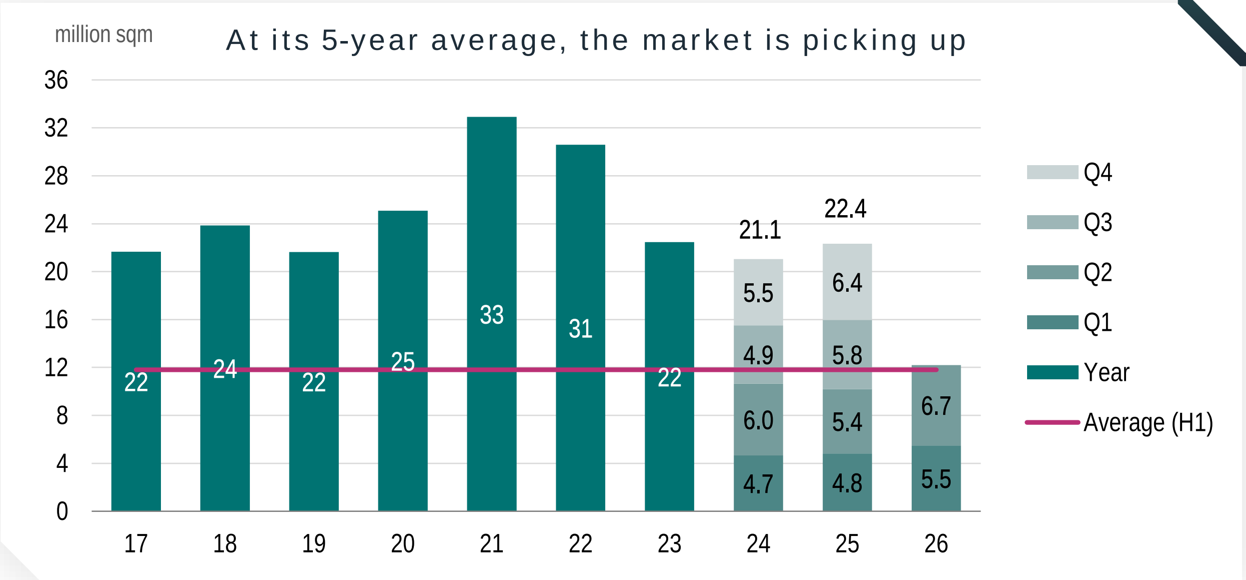
TAKE-UP
7 countries

- **The logistics market is showing great resilience** maintaining a strong growth momentum in Germany, Spain, Italy and Poland. France and the Netherlands showed encouraging signs with strong activity in Q2.
- **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** given the still limited level of speculative development activity.

Take-up

Warehouses over 5,000 sqm





- **Germany** posted one of its strongest first-half performances in recent years. 3PLs continued to dominate occupier demand supported by e-commerce demand.
- In **France**, following a particularly sluggish first quarter, the logistics market recovered in the second quarter of 2026. E-commerce players are increasing their market share, accounting for 30% of take-up.
- In the **UK**, the market was upheld by the demand of 3PLs and retailers ; the Midlands/Birmingham accounted for nearly 60% of total take-up in H1 2026.
- **Poland** recorded a strong start to the year boosted by large transactions and supported by a strong economic environment.
- In **Italy**, take-up achieved the highest first-half results on record, driven by logistics players. The wider Milan area remains the country's main logistics hub.
- **Spain** remains one of the most dynamic markets in Europe with take-up reaching yet again a historical level of transaction in H1, both in Barcelona and Madrid.
- In the **Netherlands**, vacancy rates are still low. Demand is more selective and mainly concentrated on modern and high-specification warehouse facilities.

Source: BNP Paribas Real Estate Research

Logistics Prime Rents

Rental growth in most markets

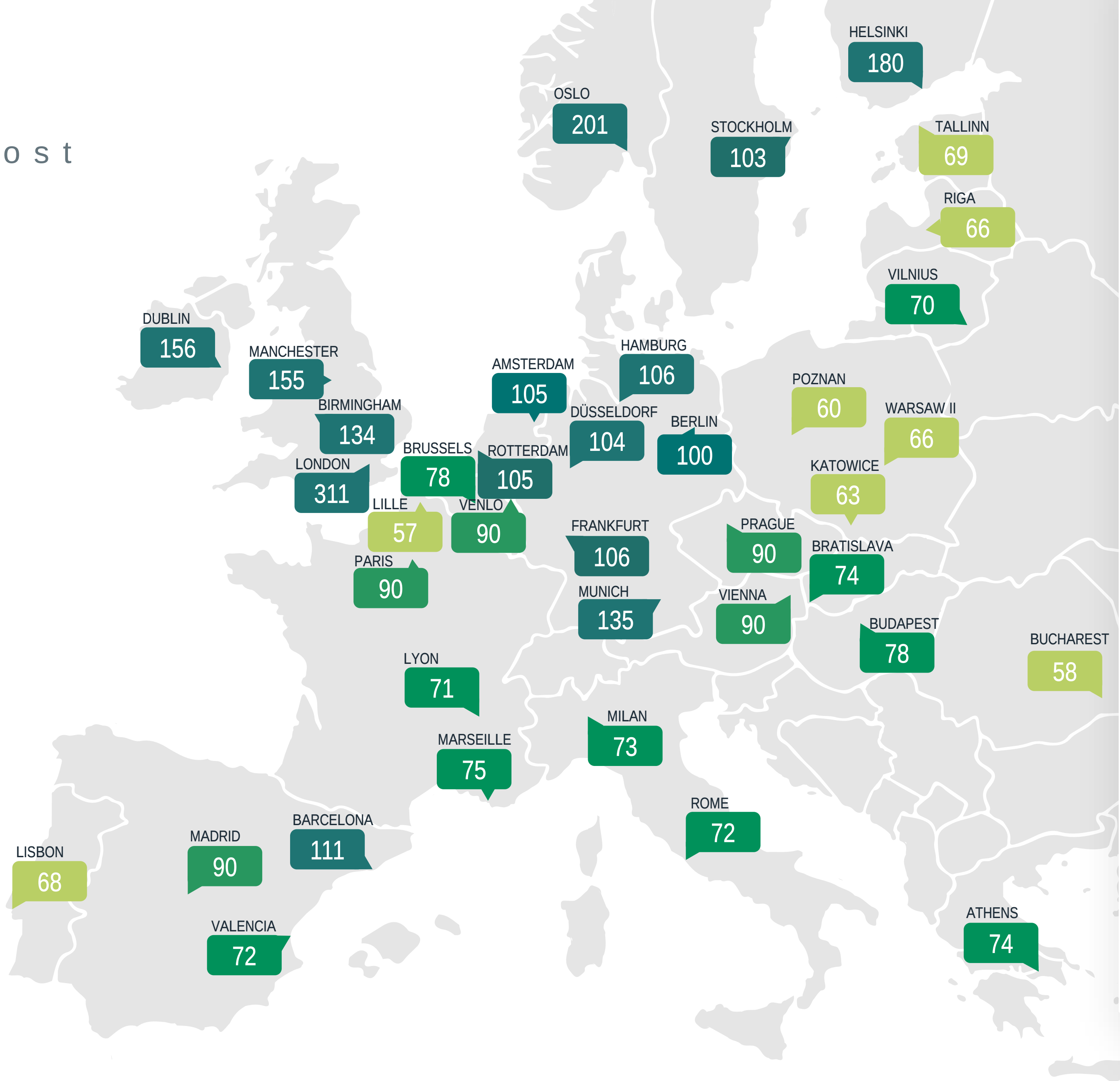
Q2 2026 vs Q2 2025

FRANKFURT	+7%
BERLIN	+1%
LONDON	
BIRMINGHAM	
PARIS	+1%
AMSTERDAM	+8%
MADRID	+7%
BARCELONA	+6%
WARSAW II	+5%
PRAGUE	-4%
MILAN	+4%
STOCKHOLM	+3%
OSLO	+5%

Rents (€/sqm/year)

- ≥ €100
- €70-100
- < €70

1 GBP	€ 1.1544
1 SEK	€ 0.0919
1 NOK	€ 0.0912



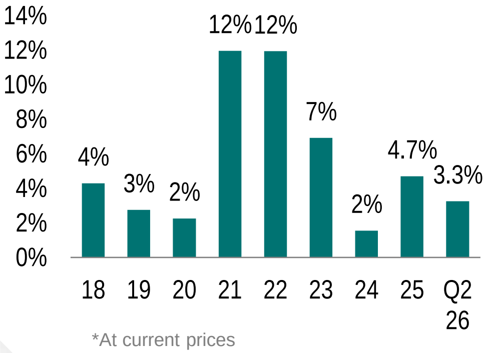
EUROPE – Q2 2026

+3.3% vs Q2 2025

45 markets, 21 countries

+3.3%	+1.1%
vs Q2 2025	vs last quarter

Rental growth* (year-on-year)

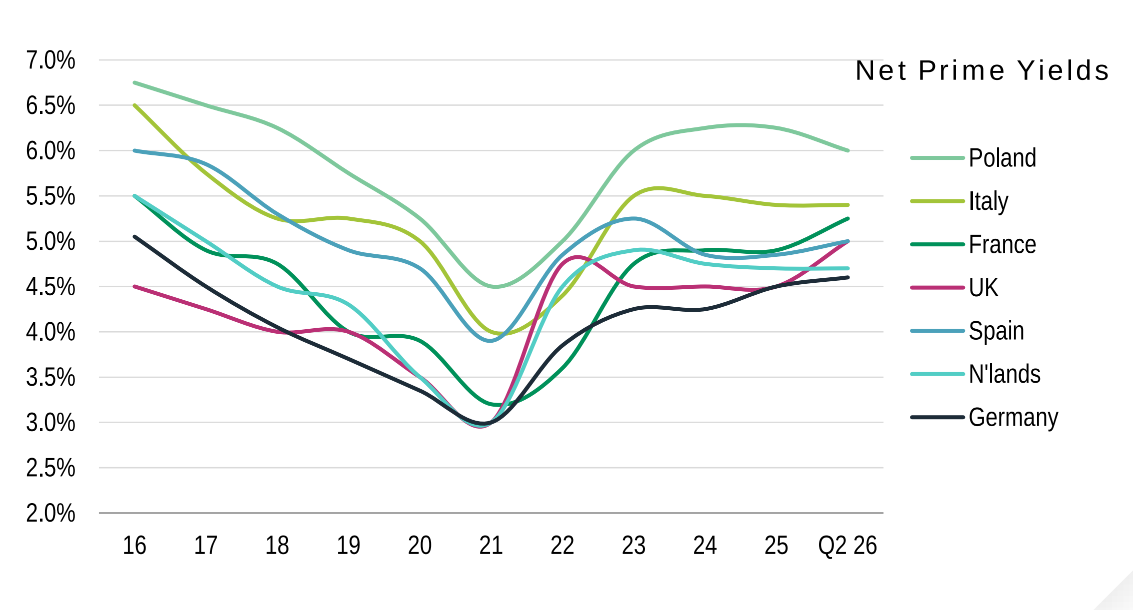


*At current prices

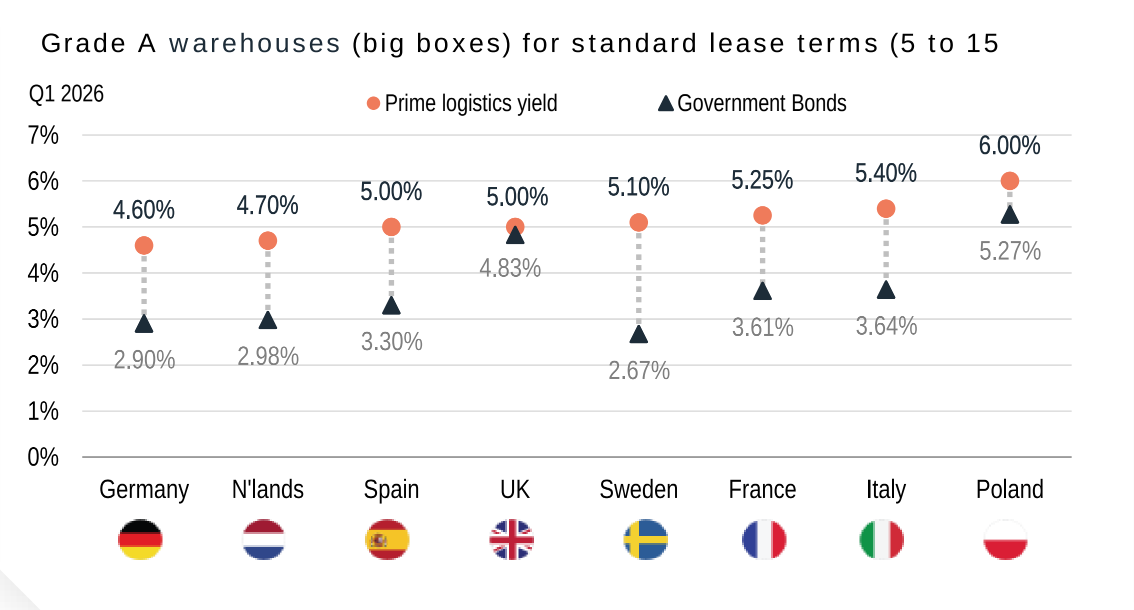
Source: BNP Paribas Real Estate Research

Net prime Yields in Europe

Contrasting price adjustments



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



PRIME YIELDS

+136 bps
Since Q1 2022

+9 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.
- Long-term government bond yields increased on average by 25bps in Europe (over 21 countries) in Q1 before going down in Q2. 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

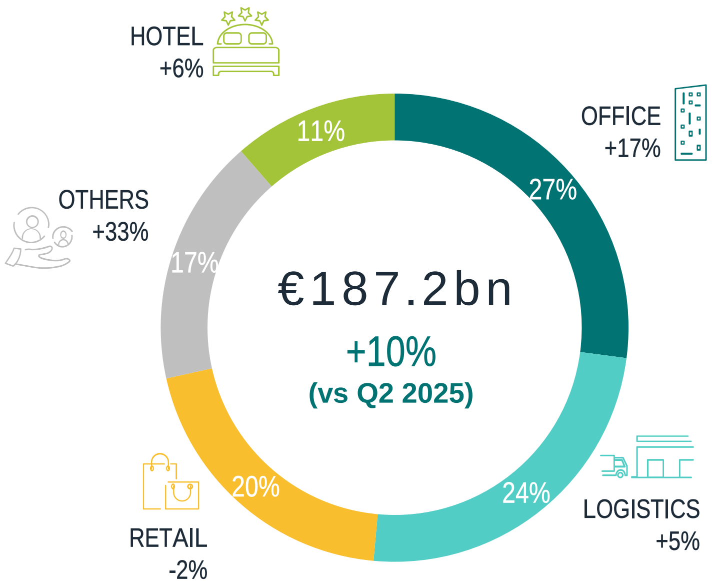
RETAIL MARKET

Total Commercial Real Estate Investment

Stable retail market share

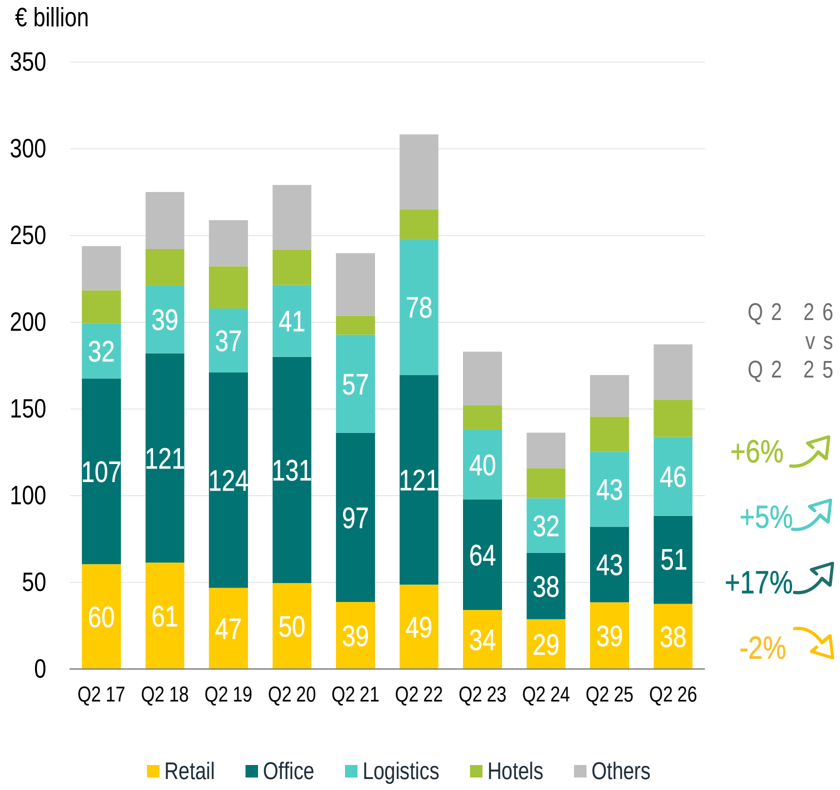
- Although the Middle East conflict has been a catalyst for market slowdown, European Commercial Real Estate investment managed to record a volume increase of 10% compared to last year.
- Investment into retail remained stable over the year, in line with the 5-year average. Despite the challenges the sector faces, retail remains the third sector for investment deployment after offices and logistics, with a 20% market share.
- Retail continues to display strong occupational 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, though softening, while prime locations define value creation for high street assets.

CRE Investment – Q2 2026 (rolling year)



BREAKDOWN Q2 2025	
OFFICE	26%
LOGISTICS	26%
RETAIL	23%
HOTEL	12%

CRE Investment – 2017-2026 (rolling year)



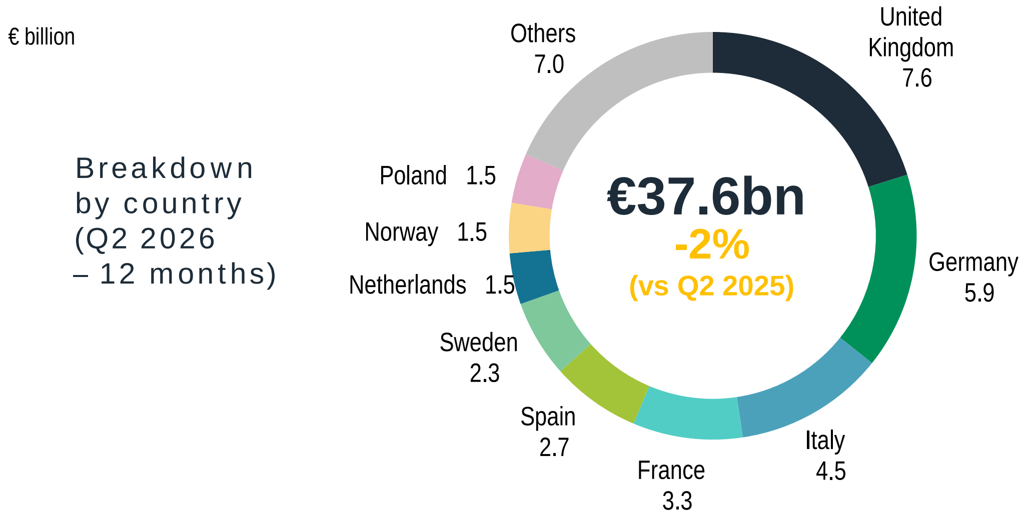
Source: BNP Paribas Real Estate Research

Retail Investment by Country

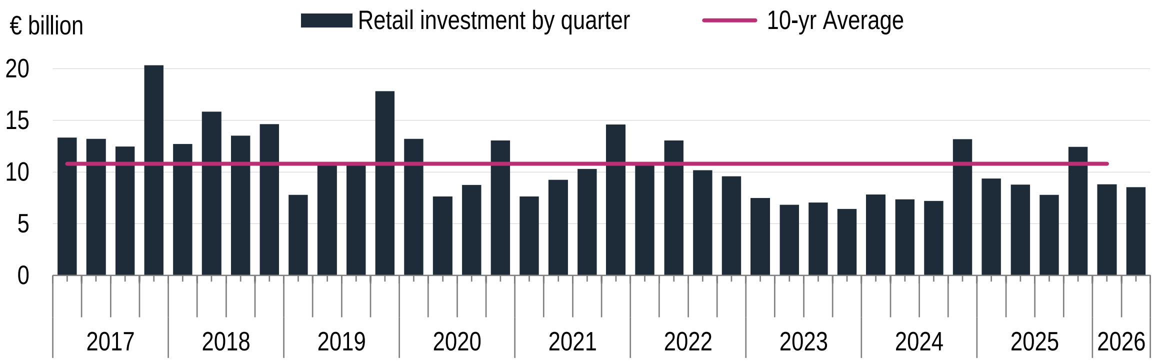
Major deals continue to occur even with a slower market

- **Retail investment reached €37.6 billion in Q2 2026 on a rolling year basis.**
- **Although the end of 2025 demonstrated strong investment activity, the momentum slowed over H1 2026.** The **United Kingdom** remains the leader for European retail investment **at €7.6bn**. One of the most notable deal of Q1 was the Merry Hill shopping centre in Brierly Hill (€335m).
- **Germany** maintains its position as the second destination in Europe with an **increase of 6%** in volumes year-on-year.
- **France saw a decline of 16%** in its investment volumes, mainly due to a lack of activity in shopping centres
- **Italy's volumes remained strong with a 31% year-on-year growth**, mostly due to the large acquisition of an 80% stake in a high street shop asset in Via Monte Napoleone, Milan.
- **Spain, with a 18% 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 129% increase** in volumes over the year, **while Belgium (+94%) and the Netherlands (+60%)** also stood out.
- **Norway, with €1.5bn deployed over the last 12 months,** also ranks among the most active retail markets in Europe .

Source: BNP Paribas Real Estate



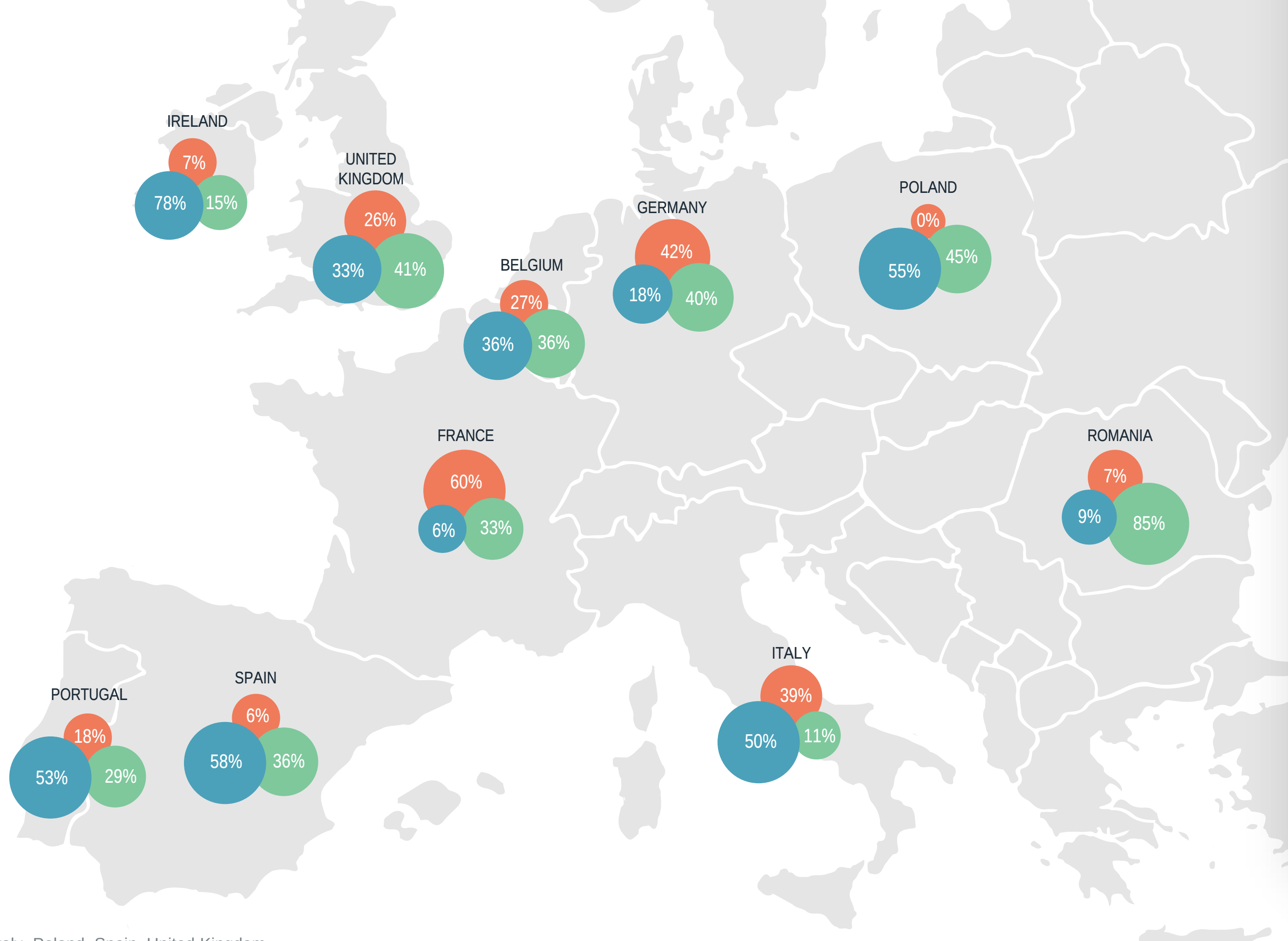
Retail Investment by quarter



Source: BNP Paribas Real Estate Research

Retail Investment Breakdown

Shopping centres remain the preferred sector in most countries



- Shopping centre investment maintained its 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 Poland where shopping centre investment took up more than the half of overall retail investment volume.
- Despite a significant 25% drop in overall transaction volumes for retail warehousing over the past year, a geographical divergence is evident. Strong activity in Romania and Poland contrasts with the steady-state performance observed in the German and British markets.
- Although expanding in 2025, high street retail is a volatile typology, and this year has seen volumes declining to a 10-year quarterly low. France remains the focus of high street investment in Europe, and improvement in activity occurred in Portugal and Belgium earlier this year.

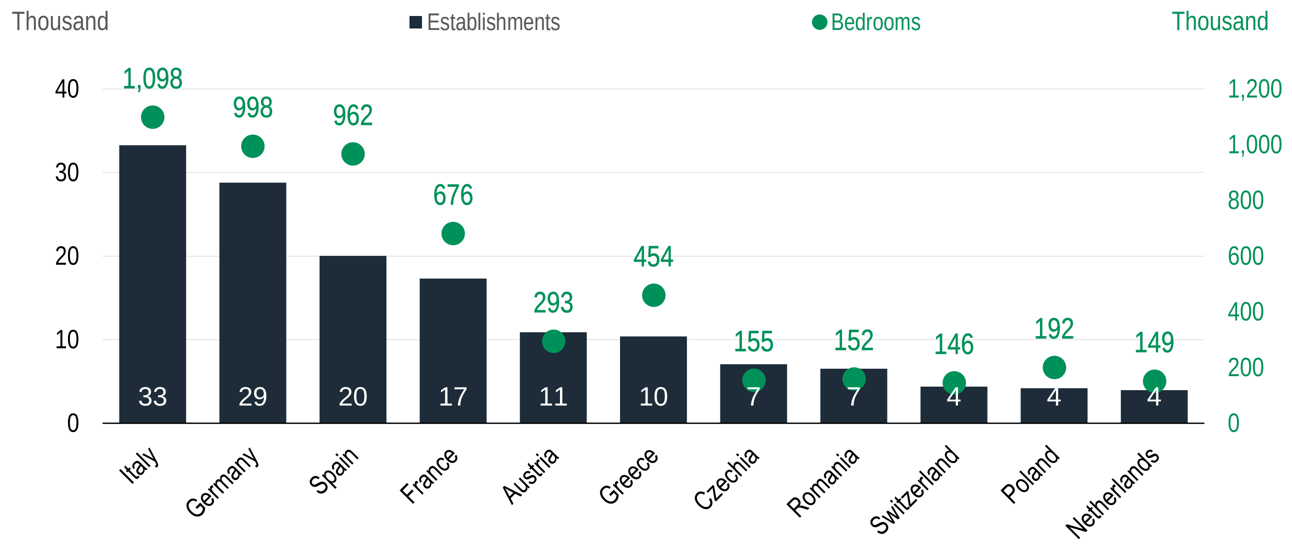
*6 Markets : France, Germany, Italy, Poland, Spain, United Kingdom

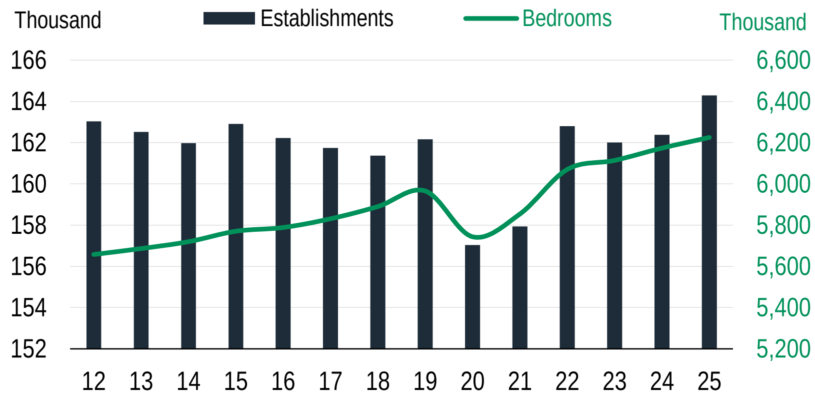
Source: BNP Paribas Real Estate Research

HOTEL MARKET

Hotel Stock in Europe

Number of establishments & bedrooms in 2025

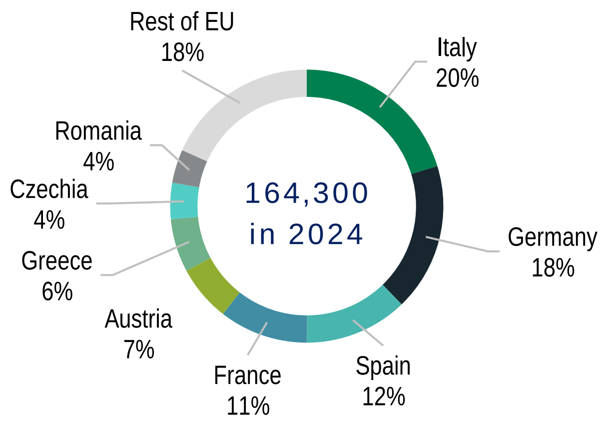




Italy, Germany, Spain and France account for 61% of hotel numbers

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

Establishment distribution by country

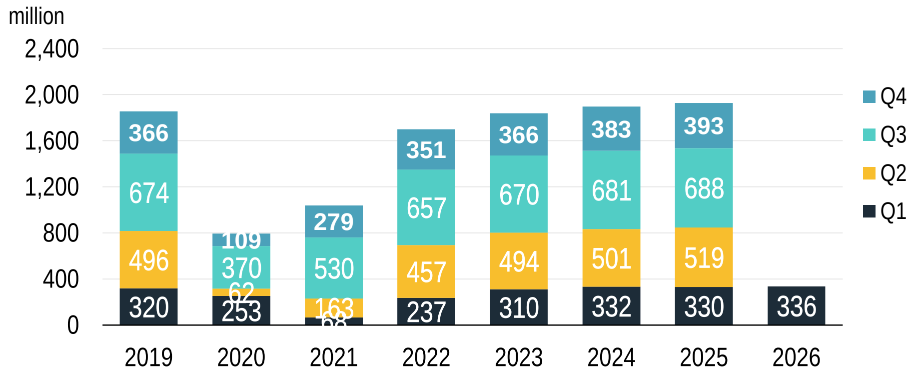


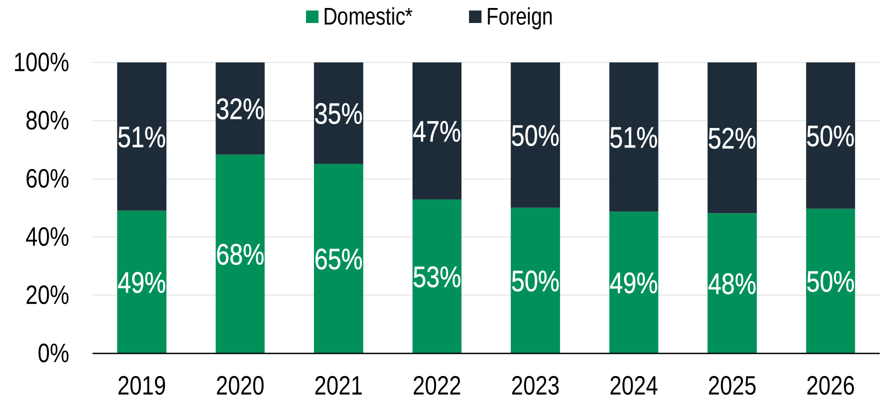
Source: BNP Paribas Real Estate Research, Eurostat

Top Destinations in Europe

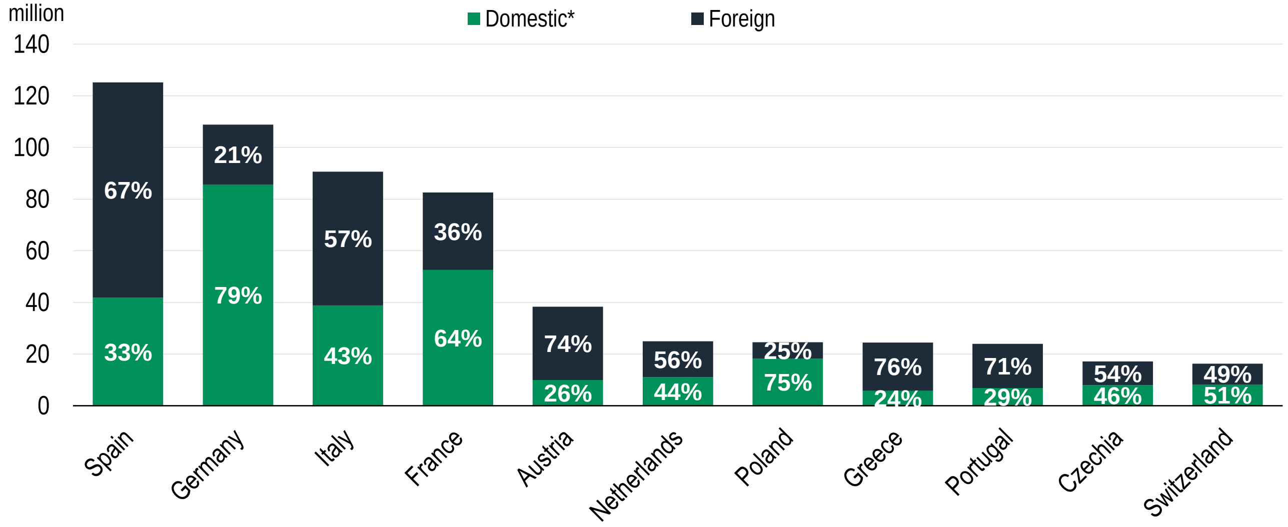
Slow but steady improvement in volumes

Nights Spent at Tourist Accommodation Establishments (EU-27)





Nights Spent in 2026 (as at May)



The number of tourists in Europe continues to gradually increase

- Nights spent increased by 1.8% in Q1 2026 (vs Q1 2025)
- International tourism has been particularly strong in Spain, Italy and Greece, whilst domestic tourism was predominant in Germany and France.
- International tourism declined in Q1 2026 reflecting the Middle East conflict.

Source: BNP Paribas Real Estate

Source: BNP Paribas Real Estate Research, Eurostat

RESIDENTIAL MARKET

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Residential Investment

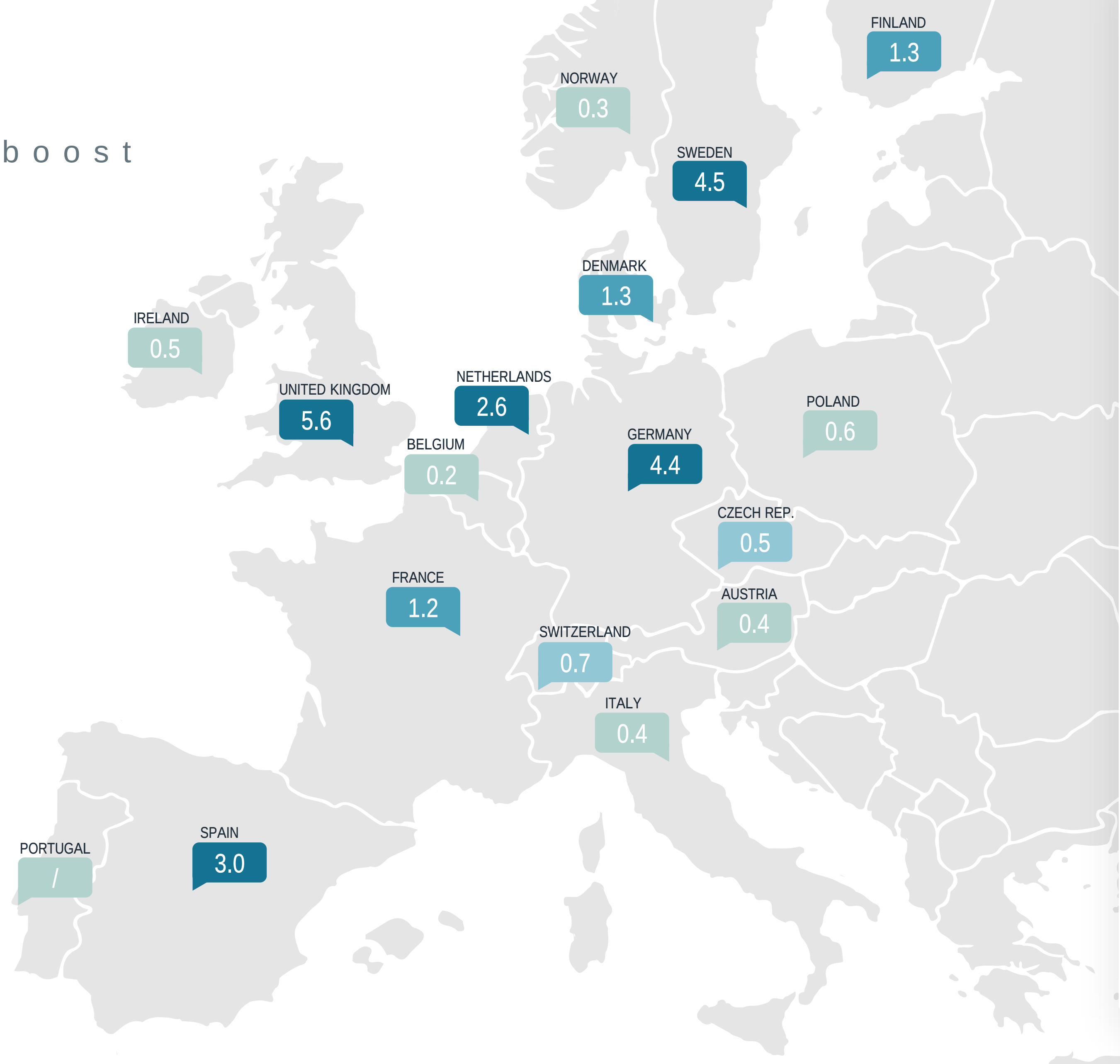
Large scale deals boost volumes

H1 2026 vs H1 2025

UNITED KINGDOM	+30%
GERMANY	-3%
FRANCE	-43%
SWEDEN	+125%
NETHERLANDS	+104%
SPAIN	+127%
ITALY	+76%
NORWAY	-48%
POLAND	+257%
BELGIUM	+744%
DENMARK	-48%
FINLAND	+235%
IRELAND	+4492%
AUSTRIA	-42%

Volume of Investment

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



EUROPE – H1 2026

€27.3bn +31.6% vs H1 2025

- Residential investment volume in Europe reached €27.3bn in H1 2026, increasing by 31.6% y/y thanks to a higher number of large-scale deals driving up residential volumes.
- 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 regularly at large scale.
- Nevertheless, even with these obstacles, the residential segment remains among the most targeted sectors according to INREV's Investor Intentions survey (June 2026).

Source: BNP Paribas Real Estate Research

Residential Prices

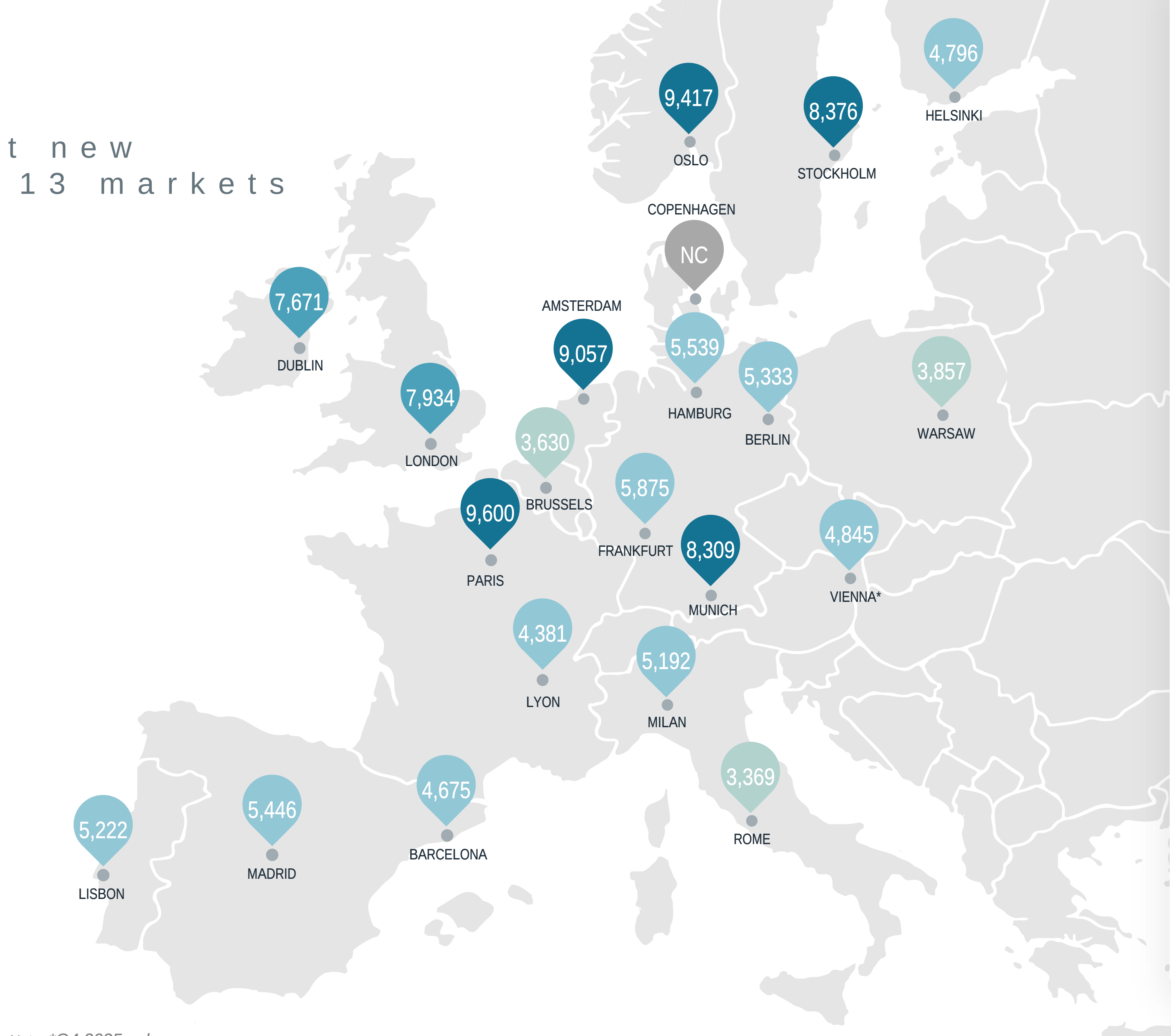
House prices hit new record highs in 13 markets

Q1 2026 vs Q1 2025

BERLIN	+2%
MUNICH	+1%
FRANKFURT	-1%
DUBLIN	+6%
LONDON	-4%
PARIS	+1%
AMSTERDAM	-2%
MADRID	+18%
BARCELONA	+12%
WARSAW	-2%
MILAN	+4%
LISBON	+14%
BRUSSELS	+7%

Prices (€/sqm) - *Net of transfer fees*

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



*Note: *Q4 2025 value*

EUROPE – Q1 2026

+4.5% vs Q1 2025

- House prices across European cities expanded on aggregate by +4.5% in Q1 2026 vs Q1 2025.
- Compared to Q1 2025, the 6 cities experiencing a double-digit growth included Prague (+19%), Valencia (+17%), Madrid (+16%), Lisbon (+14%), Seville (+13%) and Barcelona (+12%). High growth also occurred in Rome (+8%), Brussels (+7%), Dublin and Rotterdam (+6%).
- In Q1 2026, house prices continue to fall in London (-4%) for the third consecutive quarter due to in part to deteriorating affordability which leads some buyers to look for opportunities outside of the capital. Changes in taxation and regulations, including the renters' right bill and the rise in council tax for second homes in many councils, are also encouraging some owners to put their houses up for sale.
- Price decreases occurred also in 5 other cities: Frankfurt (-1%), Amsterdam and Warsaw (-2%), Lyon and Helsinki (-4%).

Source: BNP Paribas Real Estate Research

Residential Rents

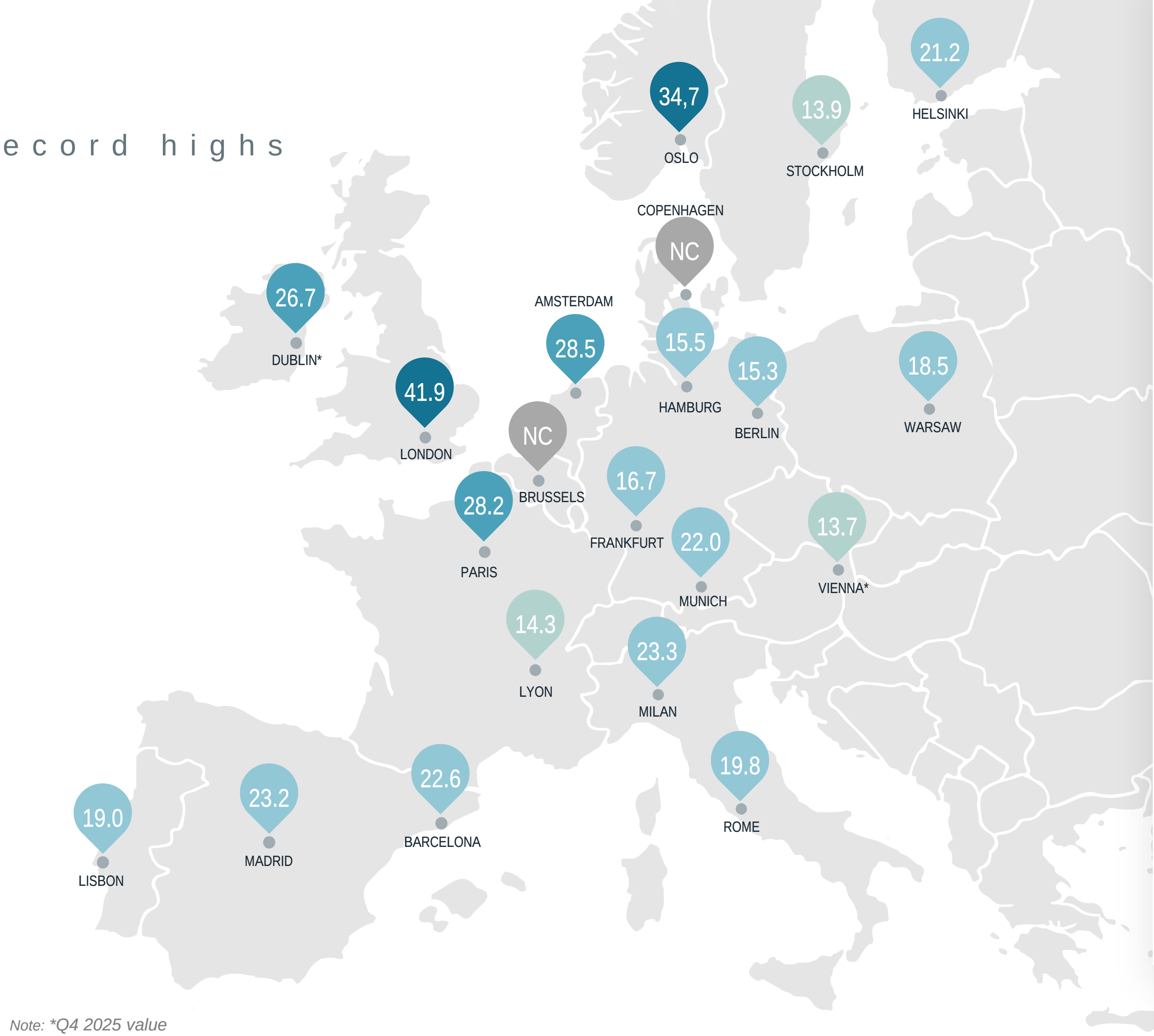
Rents hit new record highs in 17 markets

Q1 2026 vs Q1 2025

BERLIN	-4%
MUNICH	+2%
FRANKFURT	+4%
DUBLIN*	+4%
LONDON	+1%
PARIS	+1%
AMSTERDAM	+6%
MADRID	+10%
BARCELONA	-4%
WARSAW	
MILAN	-1%
LISBON	+4%
HELSINKI	-1%

Rents (€/sqm/m)

- ≥ €35
- €25-35
- €15-25
- < €15



Note: *Q4 2025 value

EUROPE – Q1 2026

+3.4% vs Q1 2025

- Residential rental values across European markets were still expanding in Q1 2026 at +3.4% 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 rent increase limits prompting lessors to leave the rental market, worsening the supply shortage, 3) Increased profitability in the short-term rental market due to rising tourism, 4) lack of new housing construction.
- Most European cities experienced rent growth during Q1 2026. Double-digit rental growth occurred in 3 of the 30 markets: Oslo (+14% y/y), Prague and Madrid (+10% y/y). While rents declined in Lille and Milan (-1% y/y), Barcelona and Berlin (-4% y/y).
- In Helsinki, rent decreased (-1% y/y) for the fifth consecutive quarters. This is mainly due to abundant housing supply stemming from strong residential construction over 2017-2023. Despite an excess of supply in the rental market, 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

Acknowledgments

We would like to thank all the local teams, Newsec and the alliances for their assistance in the preparation of this report.

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