REVIEW

RESIDENTIAL MARKET

EUROPE SEPTEMBER 2026

RESEARCH & INSIGHTS

BNP PARIBAS REAL ESTATE

Real Estate for a changing world

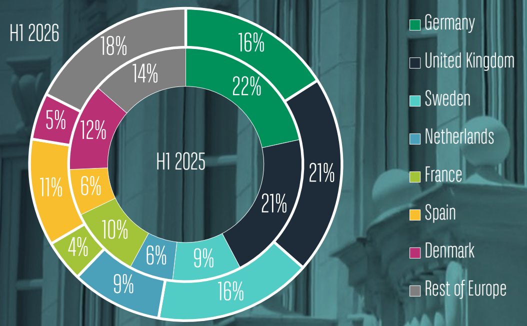
Residential market volumes grew in H1 2026 thanks to a higher number of large-scale deals, although transaction numbers overall were lower.

KEY FIGURES

€27.3bn +32% y/y
TOTAL VOLUME INVESTED IN H1 2026

25% +11 p.p y/y
SHARE OF RESIDENTIAL IN TOTAL REAL ESTATE INVESTMENT VOLUME IN H1 2026

Country share of residential investment volume



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INVESTMENT VOLUME

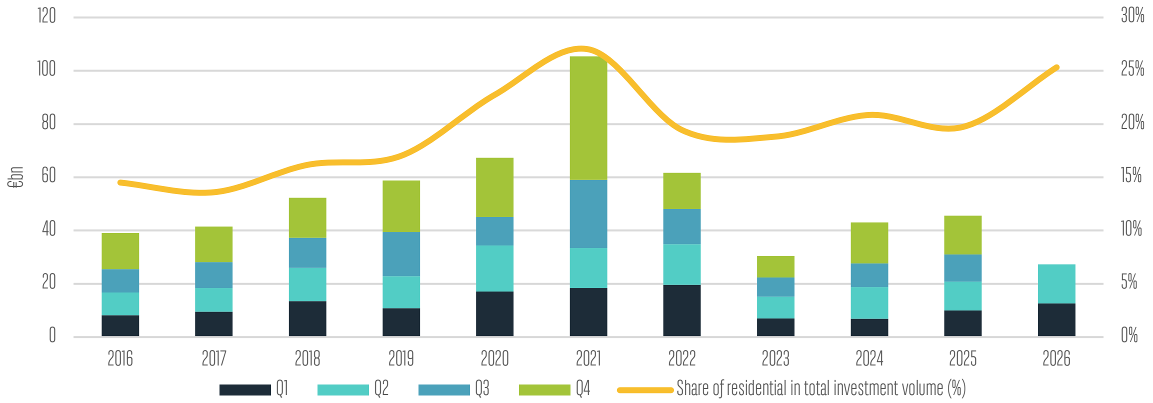
The **European residential investment volume reached €27.3bn in H1 2026,** an increase of 32% compared to H1 2025. **The increase in residential share to 25% of total real estate investment volume shows investors remain committed to the segment.** The **number of transactions has reduced, meaning the amounts deployed have been higher.** It also 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 regularly at scale.

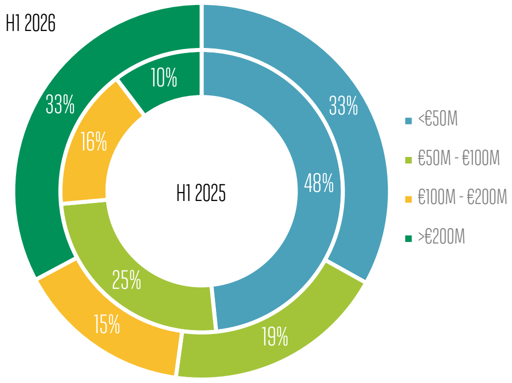
Transactions above €100M account for 48% of the total volume and represent 38 deals out of the 430 closed. The activity in the super-sized segment of over €200 million accounts for stronger deal volume in H1. This segment saw its deal volume share increase to 33% compared to 10% in H1 2025. **Deals below €50M represented the majority of the transaction number overall** at 332 transactions. **In H1 2026, Investment Managers were the most active buyers (28%)** in the market as they increasingly focus on diversifying portfolios. Their market share remained relatively stable compared to H1 2025 while the share taken by Private Investors decreased sharply from 44% in H1 2025 to 25% in H1 2026.

The UK (21%), Germany and Sweden (16%) were the countries with the greatest capital deployment in the residential sector. Although in Germany, this share decreased by 6p.p y/y in H1 2026. In the UK, it was stable and in Sweden, it has increased by 7p.p. The Spanish (11%) and Dutch (9%) markets have seen their residential exposure increase. While the French (4%) and Danish (5%) markets saw their residential exposure decrease.

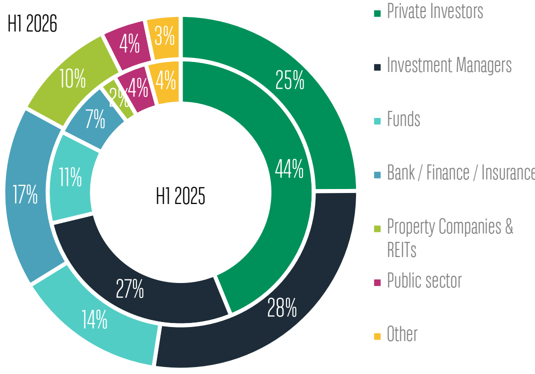
European residential investment volume



Breakdown by volume



Buyer typology



Source: BNP Paribas Real Estate Research

SEPT 2026 RESIDENTIAL MARKET EUROPE

RESIDENTIAL PRICES

Residential prices across European cities expanded on aggregate by +4.5% in Q1 2026 vs Q1 2025.

Double-digit growth occurred in 6 cities. In Prague (+19% y/y), property prices rose especially for apartments. It is driven by 3 main factors: limited new supply, renewed mortgage-backed demand, and **strong rental demand** from local workers, students and foreign residents. In Spain (Valencia (+17% y/y), Madrid (+16% y/y), Seville (+13% y/y) and Barcelona (+12% y/y)), price growth is pushed by strong demand, driven by population growth, and low interest rates, coupled with **supply constraints**. In Lisbon (+14% y/y), price growth is fueled by **resilient demand, persistent supply shortages and rising construction costs**. In contrast, **house prices fell in London (-4% y/y) due 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 localities, **are also** encouraging some owners to put their houses up for sale.

While the average Euro area mortgage rate increased to 3.51% in Q2 2026, an increase of 21 bps y/y which will further deteriorate the borrowing environment.

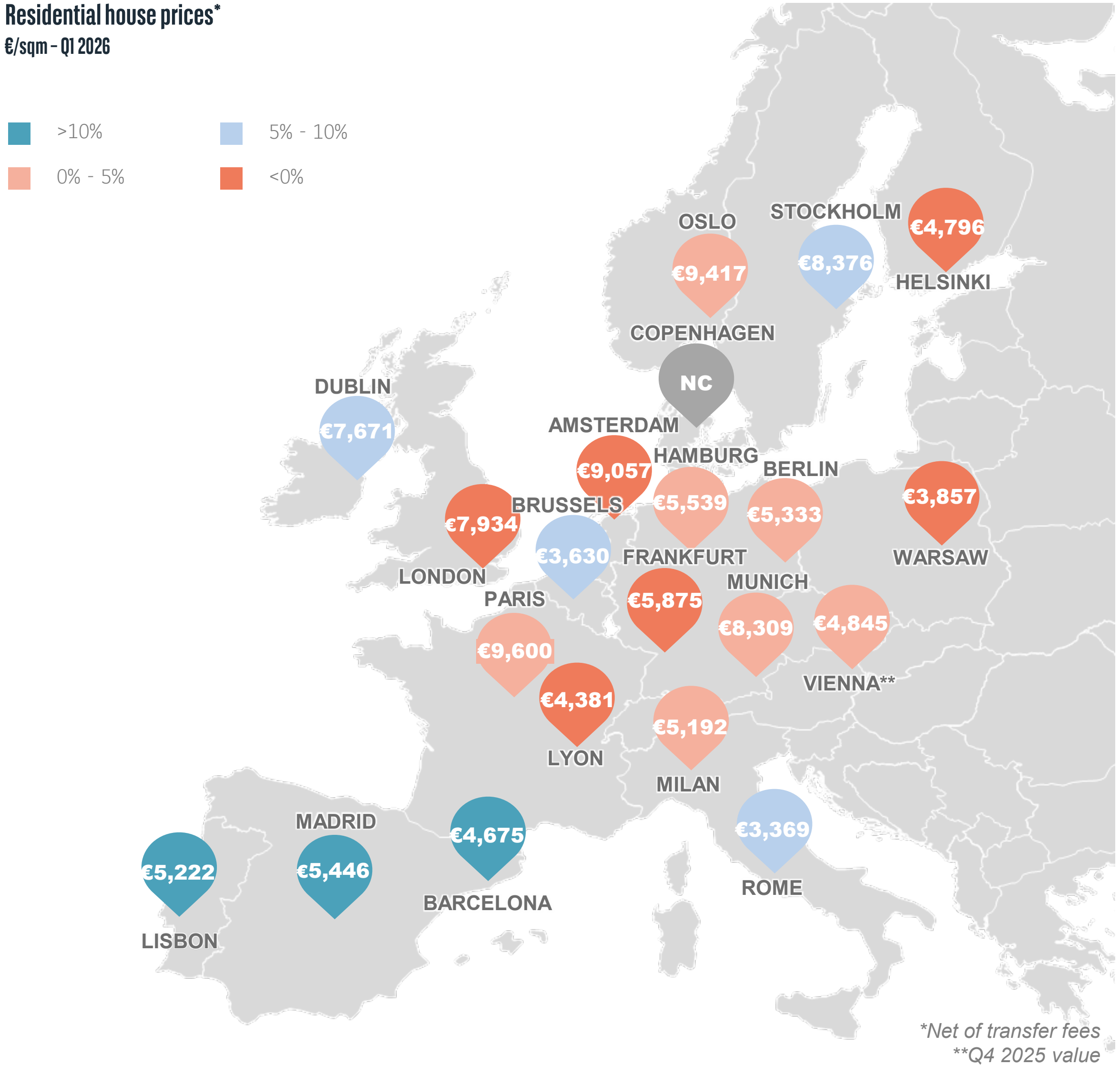
Mortgage rates

Q2 2026 rates (%) and q/q variations (bps) compared to Q1 2025

Countries	Rates		Countries	Rates		Countries	Rates	
Austria	3.53	+8bps	Germany	3.95	+23bps	Poland	6.32	+19bps
Belgium	3.60	+16bps	Ireland	3.46	-4bps	Portugal	2.95	+14bps
Denmark	4.80	+9bps	Italy	3.54	+15bps	Spain	2.89	+14bps
Finland	3.10	+14bps	Netherlands	3.71	+24bps	Sweden	3.30	-7bps
France	3.16	+6bps	Norway	5.49	+10bps	United Kingdom	5.75	0bps

Residential house prices*

€/sqm - Q1 2026



*Net of transfer fees
**Q4 2025 value

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

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SEPT 2026 RESIDENTIAL MARKET EUROPE

KEY FIGURES

EUROPEAN RENTS HIT NEW RECORD HIGHS

IN 17 CITIES

+3.4% vs. Q1 2025
IN Q1 2026 - EUROPE

+14% vs. Q1 2025
OSLO RENTAL GROWTH IN Q1 2026

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.

!

RENTS

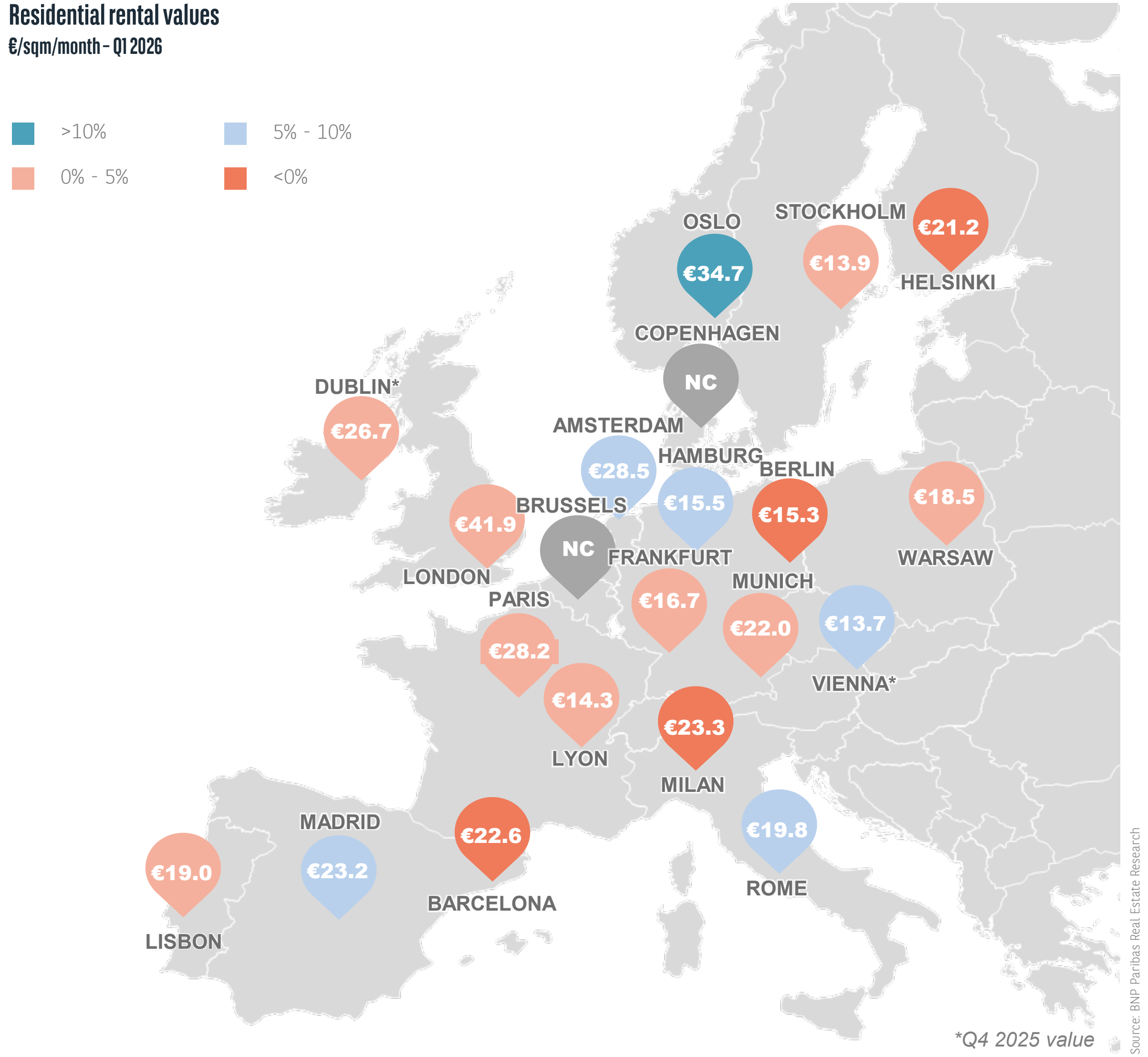
Demand is still increasing, leading to rental growth at the European level of +3.4% y/y in Q1 2026.

Most European cities experienced rent growth in Q1 2026. Oslo exhibited the strongest growth (+14% y/y), reflecting intense demand particularly from younger age groups (student and young professional). The other push comes from ownership costs, that remain high after several years of high interest rates discouraging purchase.

In Helsinki, rent decreased (-1% y/y) for the fifth consecutive quarter. This is mainly 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 both Berlin (-4% y/y) and Milan (-1% y/y), rental growth is beginning to decline after several years of sustained increases. Rents had reached unsustainable levels as burden in household incomes. Despite this decrease, the underlying structural issues of limited housing availability persist.

Residential rental values

€/sqm/month - Q1 2026



SEPT 2026 RESIDENTIAL MARKET EUROPE

KEY FIGURES

717,000 HOUSING PERMITS

IN H1 2026 - EUROPE

-17% compared to same period of last year

IN 18 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 of 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

717,000 housing permits were recorded in Europe in H1 2026, a 17% y/y decrease and lower than the H1 10-year average of around 1 million. This decline is partly explained by a loss of confidence from developers in making projects financially viable as construction costs are high. 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 18 European cities in Q1 2026, 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

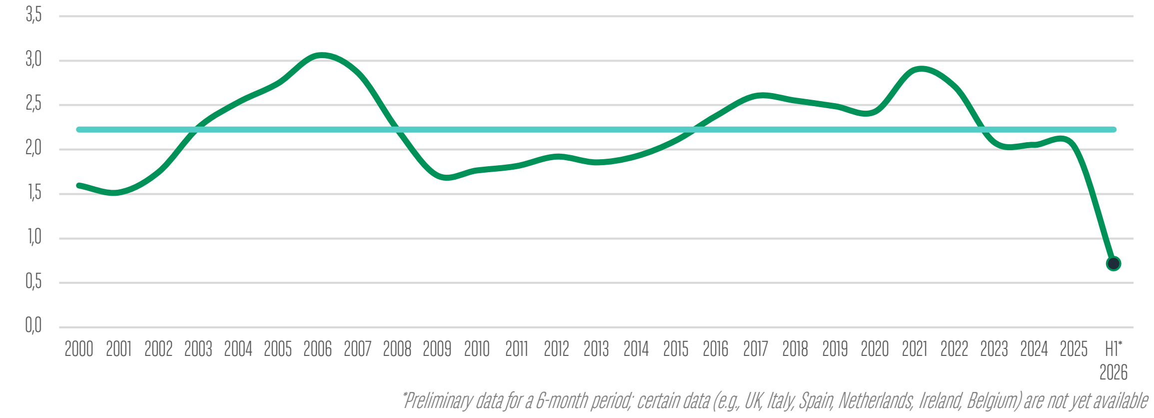
As housing policy is inherently local, short-term rental regulation has developed fragmentally, leading to inconsistent approaches.

The introduction of the EU's short-term rental regulation in May 2026 aims to change this situation by introducing harmonized requirements for short-term rental registration and platform data sharing across all 27 EU member states.

MARKET FUNDAMENTALS

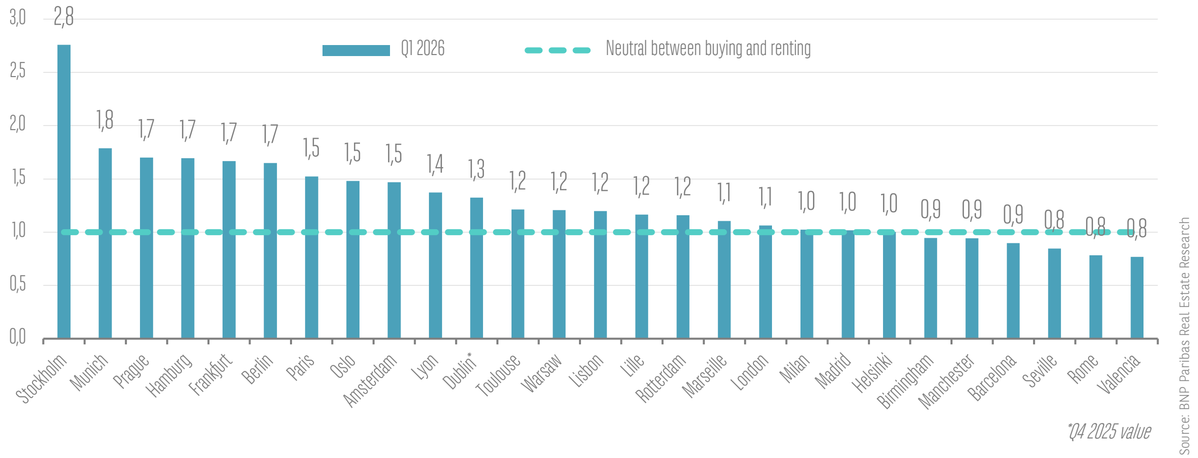
Housing permits in Europe

in millions



*Preliminary data for a 6-month period; certain data (e.g. UK, Italy, Spain, Netherlands, Ireland, Belgium) are not yet available

Buy vs rent ratio



GLOSSARY & DEFINITIONS

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

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

INVESTMENT

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

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

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

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

LETTINGS & SALES

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

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

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

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

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

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

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

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

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

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

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

CONTACTS

Kaihui Liu
Pan-European Residential Analyst
kaihui.liu@realestate.bnpparibas

Perrine Jakots
Head of Pan-European analysis
perrine.jakots@realestate.bnpparibas

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BNP PARIBAS REAL ESTATE
50, cours de l'Île Seguin
92100 Boulogne-Billancourt
France
Tel.: +33 (0)1 55 65 20 04
Fax: +33 (0)1 55 65 20 00
www.realestate.bnpparibas.com

LOCATIONS

EUROPE

FRANCE
Headquarters
50, cours de l'Ile 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
L - 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, Dubaï
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

ALLIANCES

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