REVIEW

CAPITAL MARKET

EUROPE Q3 2026



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RESEARCH & INSIGHTS

BNP PARIBAS REAL ESTATE

Real Estate for a changing world

Q3 2026 CAPITAL MARKET EUROPE

Persisting high inflation continues to fuel volatility in risk-free rates, creating an environment where a gradual decompression of yields is beginning to materialize across the market.

KEY FIGURES

YTD

€118.0bn Stable y/y
Commercial Real Estate

€32.9bn +7% y/y
Offices

€25.0bn -4% y/y
Retail

€29.0bn -3% y/y
Industrial and Logistics

€13.8bn -9% y/y
Hotels

€15.7bn +11% y/y
Alternatives

€39.9bn +29% y/y
Residential

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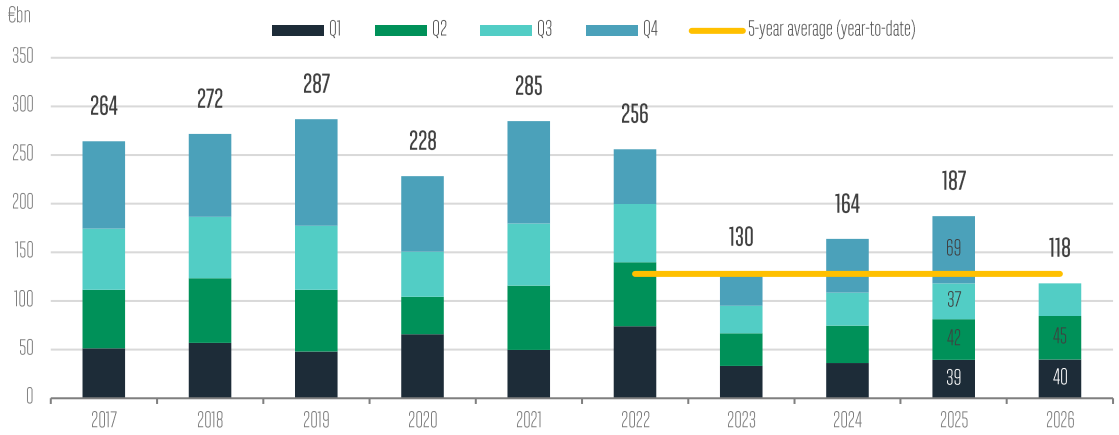
MARKET OVERVIEW

While the capital market recovery has been more gradual than initially projected, recent trends suggest that momentum is levelling off, with the market increasingly moving towards stabilisation. Deal flows remain subdued amid a prevailing "wait-and-see" attitude, while market sentiment has shown only limited improvement compared to Q2.

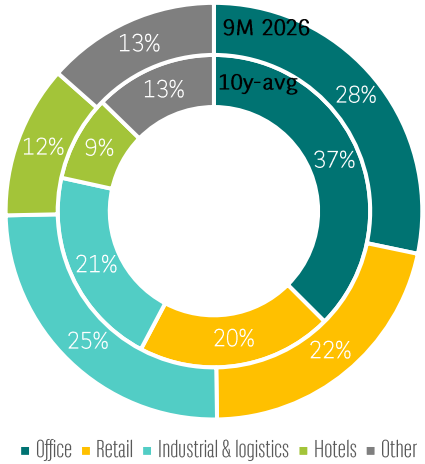
The Office sector, in particular, has emerged as a leader. It is the best-performing CRE asset class year-to-date, recording a 7% increase in transaction volume. Flight to quality continues to dictate market dynamics, aggressively driving demand for premium assets and propelling growth in key markets, most notably in the UK (+20%) and France (+6%).

Despite the dominance of domestic players, foreign investment continues to exhibit robustness. This is notably supported by an expanding footprint of Middle Eastern investors reflecting their intensifying interest in the European landscape. The broader macroeconomic environment continues to weigh heavily on pricing. Q3 2026 represents a potential inflection point, as a generalized increase in prime yields has now materialized across all asset classes. This trend is also most visible in the Office sector.

European CRE Investment volume



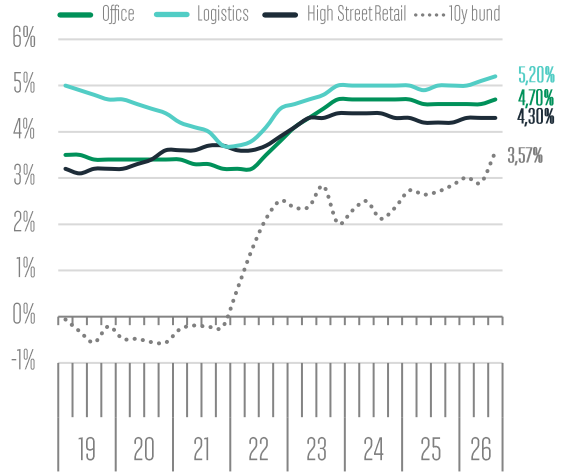
CRE Asset class market shares



CRE Capital flows

	9M 2026	Vs. 9M 2025
Europe (foreign)	€23.7bn	+6%
Americas	€16.7bn	-1%
Middle-East	€4.1bn	+88%
APAC	€3.8bn	-15%

Average prime yields



Source : BNP Paribas Real Estate Research

Commercial Real Estate (CRE) excludes residential investment

Q3 2026 CAPITAL MARKET EUROPE

KEY FIGURES

YTD

Italy
+26% vs. 9M 2025
Investment volume

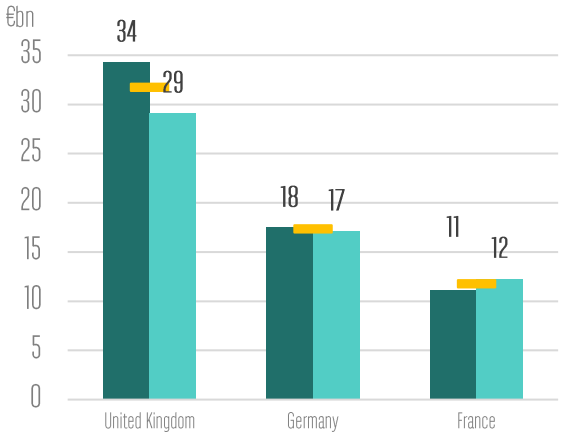
Spain
+8%
Investment volume

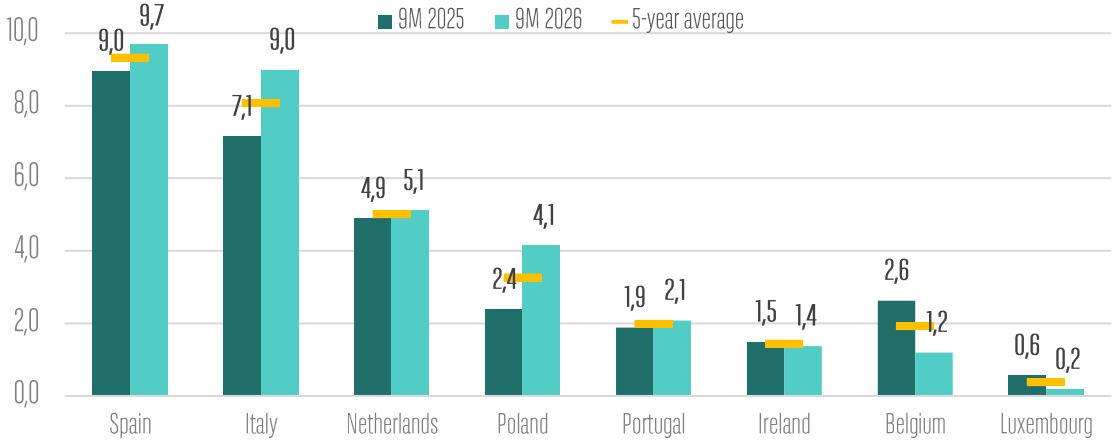
SIGNIFICANT DEALS

QUARTER	ASSET CLASS	LOCATION	PROPERTY NAME	VOLUME
Q2	Industrial & Logistics	France	Proudreed Portfolio	>€2bn
Q2	Residential	London, United Kingdom	L&Q PRS Portfolio	€1.6bn
Q1	Residential	United Kingdom	Unite / Empiric PBSA Porftolio	€1.3bn
Q2	Retail	Milan, Italy	Via Monte Napoleone	€1.2bn
Q1	Residential	Madrid, Spain	Fidere Portfolio	€1.0bn
Q3	Office	Paris, France	Capital 8	€875m
Q2	Office	London, United Kingdom	One Churchill Place, E14	€860m
Q2	Industrial & Logistics	Ireland	Horizon Portfolio	€485m
Q2	Hotels	Paris, France	Pullman Paris Tour Eiffel	€430m
Q2	Retail	Paris, France	29-33 Champs Élysées	€430m
Q1	Office	Barcelona, Spain	Estel Building	€380m

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9M 2026 CRE Investment volume per country





Commercial Real Estate (CRE) excludes residential investment

Major markets—specifically France, the UK, and Germany—exhibit a heightened sensitivity to the current economic climate, with an overall performance decline of 7%, reflecting a broader, nuanced trend across Europe. A relatively sharp contraction is evident in the retail sector, which fell by 29%. This downturn is primarily precipitated by the UK, where activity slowed significantly, recording a 15% decrease across the entire commercial real estate sector. In France, the outlook remains mixed; while year-on-year performance appears positive at 10%, this figure is skewed by the inclusion of the Proudreed portfolio. Germany continues to hold its ground despite a tightening market (-2% vs. 9M 2025).

Conversely, positive momentum has persisted across several other European markets and for several quarters. In Italy, retail activity was particularly concentrated, with a €3.2bn transaction volume (+47%), as the country maintained its position as the holder of the period's largest retail deal with the €1.2bn Via Monte Napoleone transaction in Milan. Meanwhile, the Spanish market is seeing a revival in the office sector (+63% y-o-y growth), as highlighted by the €380m Este Building transaction in Barcelona. Such performance underscores a sustained two-year overall growth cycle, now extending to all asset classes.



Source : BNP Paribas Real Estate Research

Q3 2026 CAPITAL MARKET EUROPE

KEY FIGURES

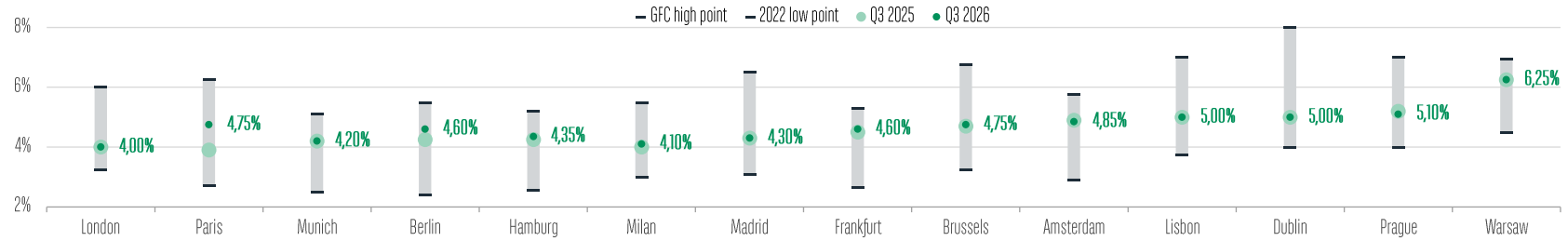
4.70%
European average prime office yields
+10 bp y/y | +10 bp q/q

4.30%
European average Prime high street retail yields
+10 bp y/y | 0 bp q/q

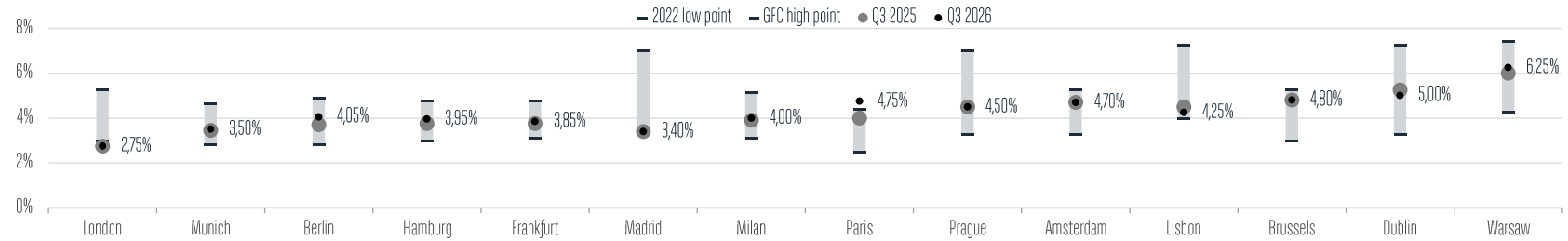
5.20%
European average prime industrial & logistics yields
+20 bp y/y | 10 bp q/q

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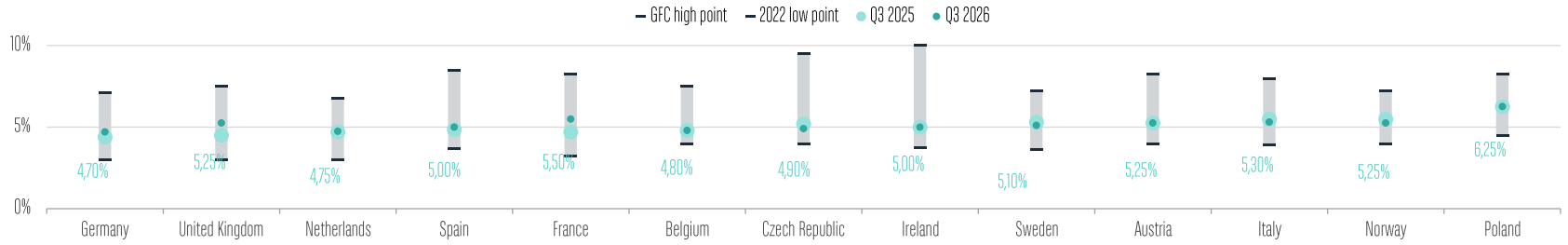
Prime office yields



Prime retail yields



Prime logistics yields



Source : BNP Paribas Real Estate Research

GLOSSARY

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.

LETTINGS & SALES

Take-Up represents the total floor space known to have been let or pre-let, sold or pre-sold to tenants or owner-occupiers during the survey period.

It does not include space that is under offer

- A property is deemed to be "taken-up" only when contracts are signed or a binding agreement exists
- Pre-let refers to take-up that was either in the planning or construction stage
- All deals (including pre-lets) are recorded in the period in which they are signed
- Contract renewals are not included
- Sales and leasebacks are not included as there had been no change in occupation
- Quoted take-up volumes are not definitive and are consequently subject to change.

The breakdown of take-up by business sector is compatible with the European NACE code.

Vacant space represents the total floor space in existing properties, which are physically vacant, ready for occupation in the next three months (this period covers fit-out time) and being actively marketed at the survey date. Vacancy includes sublet space (except in Germany, Italy), but where possible, vacant sub-let space is recorded separately.

In France, vacancy excludes premises which the owner will renovate only once a lease is signed. Spain only counts immediately available space.

Vacancy Rate represents the total vacant floor space including sub-lettings (except in Germany, Italy) divided by the total stock at the survey date.

Development Pipeline represents the total amount of floor space for all developments under construction and/or schemes (including major refurbishments) that have the potential to be built in the future through having a secured level of planning permission but remain unimplemented at the survey date. It includes all proposed new buildings, those constructed behind retained facades and buildings (or parts of buildings) undergoing a change of use to offices.

Completions represent the total amount of floor space that has reached practical completion and is occupied, ready for occupation or an occupancy permit where required has been issued during the survey period.

Under Construction represents the total amount of floor space in properties where construction has commenced on a new development or a major refurbishment (see separate definition) at the survey date. It includes properties for owner occupation, which are reported separately. It does not include sites being cleared for possible development in the future.

Property that is under construction but pre-let or for owner occupation is recorded separately where appropriate.

Major Refurbishments represents refurbishments, where building work must involve either structural alteration, and/or the substantial replacement of the main services and finishes. The quality of the floor space must have been substantially improved from its previous condition so as to offer accommodation of a modern standard – although not necessarily to the standard of a completely new building.

Prime Rent represents the top open-market rent at the survey date for an office unit:

- of standard size commensurate with demand in each location
- of the highest quality and specification
- in the best location in a market

Actual transactions are used in France, Germany and Belgium to support the headline prime rental quoted, but one-off deals, which do not represent the market, are disregarded. In the UK, Italy, Spain, if there are no prime transactions during the survey period, the highest achievable rental price rent is quoted, based on expert opinion of market conditions.

Central Business District average rent is the average of each of the last four quarters' average headline rent in the CBD. Each quarterly average rent is weighted by the surface of each lease signed during the quarter, in either new or second-hand premises. The definition of CBD corresponds to local conventions.

Central London includes the following districts: West End, Midtown, City, Docklands, Southbank, Western Fringe and Northern Fringe.

Central Paris includes the following districts: CBD, Paris out of CBD, La Défense, Western Crescent and Inner Rim.

INVESTMENT

Investment volume takes into account all commercial properties BNP Paribas Real Estate is aware of, whose owner has changed during the studied period.

It includes **Office buildings, Retail, Industrial and Logistics Warehousing, Hotels** and **Alternatives**.

The alternative sector varies across Europe reflecting country-specific categorization. It can include healthcare, senior housing, life science, data center, development sites; the list is non-exhaustive.

Residential investment is excluded from Commercial Real Estate investment (CRE).

Quoted investment volumes are not definitive and are consequently subject to change.

Prime Yield is defined as Net income (or NOI) over purchase price plus all other costs of acquisition.

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.

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