November, 2026

RESEARCH & STRATEGY

REAL ESTATE CONVICTIONS



"Whilst global growth has proved resilient so far, the proliferation of conflicts, competition between China and the United States and trade tensions have accelerated geopolitical fragmentation. These disruptions have contributed to renewed inflationary pressures and fuelled social tensions across several countries. At the European level, despite an improvement in sentiment among real estate professionals, confidence remains fragile, particularly in France, where political uncertainty ahead of the 2027 elections and the yield spread with Germany reaching its highest level have reinforced investors' wait-and-see approach."Henry-Aurélien Natter, MRICS, Director of Research

INTERNATIONAL ENVIRONMENT: the economy has proved resilient, but the choices ahead will be decisive in shaping the growth outlook

Although global economic activity has proved resilient, repeated geopolitical disruptions have had adverse effects, mitigated by technological advances and adaptation measures. Global growth is therefore expected to slow to 3.1% in 2026 before rebounding to 3.4% in 2027. Headline inflation is expected to rise significantly in 2026 (4.7%), before easing (4.1% in 2027).

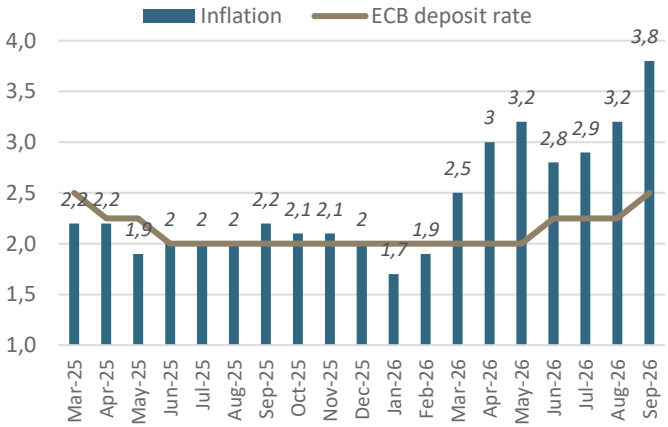
Despite geopolitical tensions and renewed inflationary pressures, European economic activity has shown some resilience. However, persistent inflation (+3.8% in September 2026), higher financing costs (+25 bps increase in ECB policy rates in September) and tensions in sovereign bond markets are weighing on the growth outlook and investor confidence, with growing divergences across European economies. In the eurozone, GDP growth is expected to remain subdued at 0.9% in 2026 and 1.2% in 2027.

France is facing rising sovereign and political risks. The French economic (-0.1% growth in Q3 2026) and financial environment have deteriorated significantly amid persistent public deficits, high debt levels and political uncertainty ahead of the 2027 presidential election. French 10-year government bond yields briefly exceeded 5% in October, while the spread with the German Bund widened significantly (to between 150 and 175 bps). Tensions in bond markets and concerns over the sustainability of public finances are contributing to tighter financing conditions for the French economy. In real estate, a correction could occur over the coming quarters, with a more pronounced adjustment for lower-quality assets.

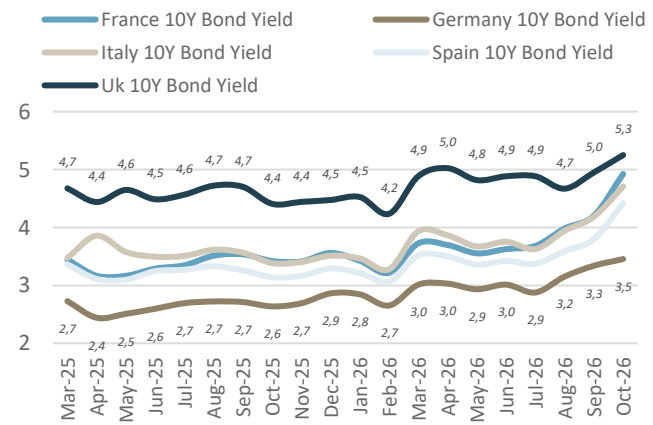
Annual GDP growth in major European countries (%)

Country	2025	2026 (f)	2027 (f)
Spain	2.6	2.7	2.2
Netherlands	1.6	1.7	1.3
United Kingdom	1.2	1.3	0.7
Germany	0.3	1.0	1.2
Eurozone	1.3	0.9	1.2
Italy	0.7	0.9	0.6
France	0.9	0.4	0.6

European Consumer Price Index and ECB deposit rate (%)



10-year government bond yields (%)



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EUROPEAN REAL ESTATE: amid global uncertainty, investors adopted a wait-and-see approach in Q3 2026

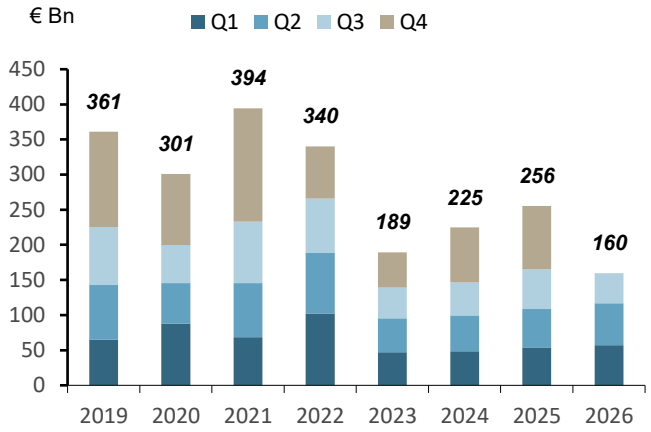
After holding up well during the first two quarters, capital flows contracted in the third quarter (-23% compared with Q3 2025), reflecting geopolitical tensions, renewed inflationary pressures and the ECB's interest rate hikes. As a result, €160bn was invested in Europe during the first nine months of 2026, compared with €165bn a year earlier. The bulk of real estate investment was concentrated in four countries (United Kingdom, Germany, France and Spain). Despite a sharp decline, real estate investment in the United Kingdom remained the largest market in Europe. Investment volumes in Germany and France remained below 2025 levels. Spain clearly stood out for its strong momentum, despite the sharp slowdown observed in the third quarter.

Average capitalisation rates at acquisition showed three distinct trends year-on-year: assets experiencing yield compression (residential), for which investors are willing to pay more for the most prime assets; assets with stable yields (retail and healthcare which remained stable year-on-year but experienced yield decompression between Q2 and Q3); and assets experiencing yield decompression (logistics, offices and hotels), where investors are now seeking higher returns.

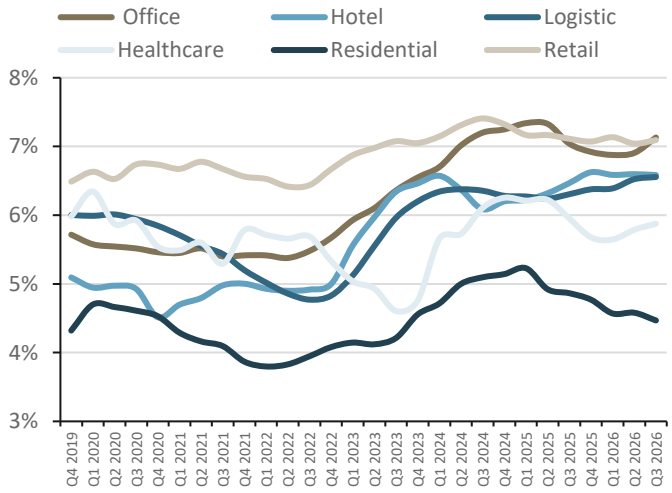
Investment volumes in European office real estate held up relatively well despite the current uncertainties, reaching more than €32bn during the first nine months of 2026 (-9% year-on-year). Investors are primarily seeking security in office real estate. As a result, capital is being prioritised towards central locations, while secondary locations are facing clear investor caution.

Investment volumes in European residential block sales totalled more than €40bn during the first nine months of 2026 (+15% year-on-year). However, in the short term, social tensions related to the cost of living and higher borrowing costs could weigh on the market.

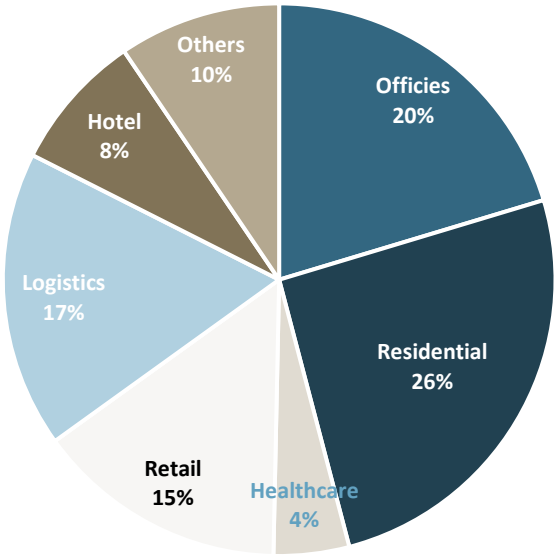
Investment volumes across all real estate asset classes in Europe



Average acquisition cap rates in Europe (quarterly, as of Q2 2026)



Investment volumes by asset class in Europe – 9M 2026



European **healthcare real estate (senior living and nursing homes)** totalled €7bn during the first nine months of 2026, compared with €4.6bn over the same period in 2025. Including other healthcare assets (hospitals, medical offices, laboratories and research centres), total investment volumes reached approximately €8.5bn during the first nine months of 2026, according to preliminary data.

Investment volumes in European **hotels** totalled ca €13bn during the first nine months of 2026 (-19% year-on-year), reflecting greater investor selectivity despite continued strong interest in the sector. Although Europe has confirmed its status as the world's leading tourist destination, it is still too early to fully assess the impact on the sector of the recent protests against the rising cost of living in several European countries.

With €24bn invested during the first nine months of 2026 (-9% year-on-year), European **retail real estate** remains characterised by strong investor selectivity. Capital is primarily focused on dominant assets, high-street retail and the best-positioned shopping centres, retail parks and convenience formats, while secondary assets suffering from high vacancy or a weaker retail positioning continue to be overlooked.

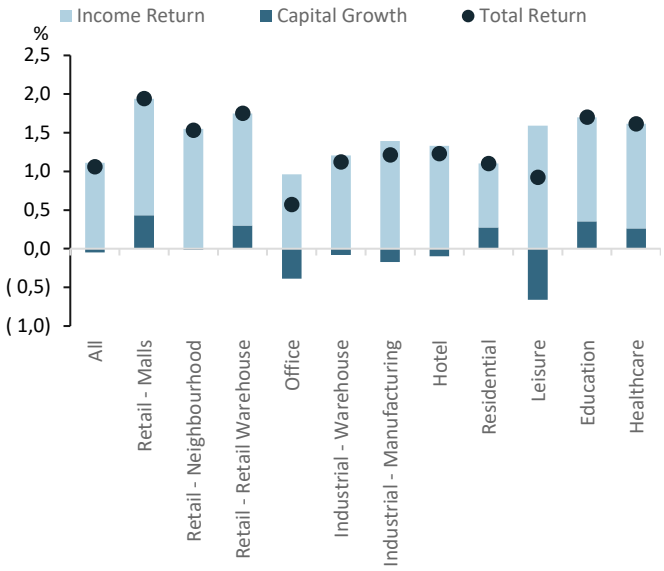
Logistics recorded investment volumes of €28bn during the first nine months of 2026, down 8% compared with the same period in 2025, reflecting a continued wait-and-see approach among investors in an uncertain environment.

Total European real estate performance was positive at the end of Q2 2026, driven solely by the income return component. While some segments recorded solid income and capital returns (retail, healthcare and residential), other market segments showed weakness in their capital return component (offices, logistics and hotels).

Regarding the French market, further downward pressure on real estate valuations should be expected. Indeed, the rise in sovereign bond yields is likely to gradually feed through to real estate yields, putting renewed pressure on appraised values and transaction prices. A further correction appears likely over the coming quarters, particularly for secondary assets, properties facing obsolescence issues and investments offering limited rental growth prospects. Prime assets benefiting from secure income and strong rental fundamentals should prove more resilient. Initial sensitivity analyses suggest that a further correction in valuations cannot be ruled out.

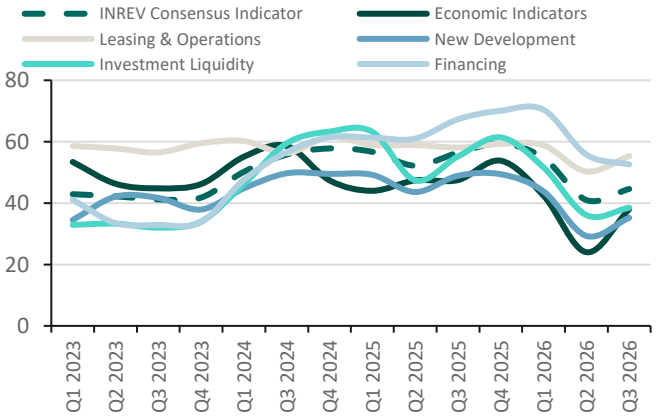
However, the extent of the adjustment will depend on location, asset quality and exposure to financing conditions.

Total return on European real estate (quarterly)



According to INREV's "Consensus Indicator", published at the end of Q3 2026, respondents were, paradoxically, less pessimistic than in the previous quarter's survey, despite the contraction in investment volumes. However, the indicator remained in contraction territory, below the 50 threshold.

INREV « Consensus Indicator & Subindicators »



Sources used throughout the document: PRAEMIA REIM Research and Strategy data based on Allianz, national e-commerce associations (FEVAD, BEVH, etc.), ECB, BNP, BFS, CBRE, CBS, Codata, Colliers International, CSB, CSO, CZSO, Destatis, DST, DZS, Eurostat, FED, IMF, Green Street, IEIF, Immostat, INE, INSEE, INREV, ISTAT, JLL, Knight Frank, KSH, MKG, MSCI, OECD, UN Tourism, ONS, Oxford Economics, PMA, RCA, Savills, SCB, SSB, Statistics Poland, Statbel, Statista, Statistik Austria, Statistics Finland, Statistics Lithuania, STATEC, STR

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